Peter Ulrich

Civilizing the Market Economy:
The Approach of Integrative Economic Ethics to Sustainable Development
About the cover:
In 1999, the tenth anniversary of the St. Gallen Institute for Business Ethics, the first chair in business ethics in a German-speaking country, was marked by a lecture series in which renowned scholars, such as Richard Sennett or Jürgen Habermas, among others, discussed the challenge of how to realize an „economy within society“ (cf. vol. 27 of the St. Galler Beiträge zur Wirtschaftsethik, ISBN 3-258-06156-4). The image that was chosen to advertise this lecture series was a window of a 1339 Frescos of Ambrogio Lorenzetti and shows economy as part of the civil life. The search for a concept of modern business in a republican spirit is of central importance to the institute whose ambition it is to contribute fruitful impulses to the discussion on economic and business ethics in theory and in practice.

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Peter Ulrich is Director of the Institute for Business Ethics at University of St. Gallen.
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Abstract

As long as the economy is not embedded in a superordinate societal framework the problem of sustainable development cannot be solved within the logic of the market system. The establishment of such a framework is an epochal cultural and political task. The well-known definition of sustainable development by the Brundtland Commission fails to make this clear since it neglects the importance of interpersonal obligations (rights and duties). But from an ethical perspective, interpersonal obligations are essential.

The discourse on sustainability is dominated by the technocratic illusion that more “eco-efficiency” of our economic means is enough and that the purposes of our economic activities need not be put into question. Contrary to this illusion, it is argued here that we need to develop a socio-ecological understanding of the problem and to recognize that “sustainable development” after all is just another term for establishing social, international and intergenerational fairness and justice.

After raising the awareness for this understanding in the first section, the second section of this paper presents a problem-solving approach that includes four elementary steps of rethinking and establishing socio-ecological policies by means of limiting the inherent necessities of market competition.

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1. Raising the awareness of the problem: why sustainability is an economic-ethical challenge

1.1 Political Ecology: the social conflict between the economy and the environment

“Our generation has the chance to reconcile the social reality with the ecological preconditions on our spaceship called earth through political action.”

For me, this is one of the key sentences in the NAWU report from 1978 (Binswanger et al., 1978, p. 14, italics PU). Even though the statement was too optimistic as a prognosis, as a normative programmatic statement it very precisely captured an essential insight: there will be no sustainable economic development as long as it is not embedded in a superordinate societal context – and it is a cultural and political task to ensure this embedding.

From this point of view, the magic word „sustainable development“ might inhibit the consciousness for the enormous task that we face rather than promote it. Why is that? The standard definition (according to the Brundtland Commission in 1987) states: „sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs“ – but this is terminologically confined to teleological categories of resources and goods, that is, it focuses on needs and on the means for satisfying them. The deontological categories of interpersonal obligations (rights and duties) are not as evident in this definition. But it is exactly the deontological point from which an ethical reflection ensues (Diagram 1).

Which needs and whose needs are meant by the term „the needs of the present“? Is the growth of these needs which goes along with the growth of the economy really the right standard for a sustainable development? Can these needs, if we accept them uncritically, even be reconciled with sustainable development? Does sustainable development boil down to the motto: We need economic growth, but it may and should be „qualitative“? If we think like that we presuppose that sustainability and economic growth can be harmonized in a technical-instrumental way. This stance is quite popular because it obviously allows us to uncritically hold up economic growth as a goal. Believing that „sus-
tainability needs“ and economic growth can be combined without any problems frees us from the need to re-orient ourselves politically and economically.

Of course: as long as more than a billion people lack vital necessities, it is legitimate to promote an increase in the provision of goods in many regions of the world. We must not forget, however, that the social problems are not even resolved in the so-called „advanced“ OECD countries, even though industrial productivity and the gross national product have been growing for almost 200 years. Much to the contrary: the social scissors are clearly opening up everywhere – and this happens right because countries have opened their markets and intensified competition over the past 25 years in order to stimulate economic growth. It seems that the official „needs of the present“ are not socially acceptable without further ado!

Diagram 1: Teleological and deontological dimensions of ethics

The structural price of economic growth under current conditions can be summarized in two points: firstly, the pressure to perform steadily increases for everybody who wants to assert himself in the competition; who has not felt this change in his everyday work over the past 10 years? And secondly, the tendencies of social disintegration are aggravating: the weaker members of society increasingly face precarious conditions for their existence (because of sinking wages for low-skilled workers, because of forced unemployment, and because of latent social isolation).
If we try to resolve almost all qualitative problems related to economic activity and to our social order quantitatively, that is, through economic growth, this amounts to making the fox guard the henhouse. It is one of the big illusions of the economistic zeitgeist. Such economic policy does not eliminate but merely "modernize" the symptoms of poverty and existential needs: economic growth does not automatically or "naturally" enable us to break out of an "economy of poverty". Instead, we can only break out of this "economy of poverty" if we consciously cultivate and fairly organize the social use of economic growth (Ulrich 2008: 185ff.). Or, put differently: economic growth (quantity) can never replace a just social order (quality).

Yet, I would like to emphasize that I do not want to condemn economic growth as such. On the contrary, the task is to promote growth that we can deem legitimate according to life-practical criteria. In this regard it is important that we focus on the social and ecological conflicts that are inherent in economic growth as a cause. Instead of doing this, we currently tend to focus on end-of-the-pipe approaches which merely touch the symptoms of economic growth.

1.2 Sustainability as a question of justice

Why is the formula "sustainable development" so widely accepted? I argue that the surprisingly broad consensus on "sustainable development" derives from the fact that sustainable development seemingly resolves the many social conflicts between private economic interests, ecological aspects and existential needs of the people. The very popular "triple bottom line" (Elkington 1999) is symptomatic for this view: the triple bottom line suggests that the three dimensions of sustainable development can be added up without any problem and that ecological and social acceptability can be harmonized with the existing economic system. However, as soon as we acknowledge that there are conflicts between the ecological, social and economic dimension, we realize that the normative problem now just concerns the weighting of the three criteria.

Let us briefly reflect where there is in principle harmony and where there is conflict between the social, the ecological and the economic dimension. We can distinguish two fundamental problems:

- **Harmony** between economic growth and ecological as well as social criteria becomes particularly manifest in the *poverty-driven environmental destruction* in third world countries (e.g. deforestation in order to get fire-
wood due to a lack of other energy supply). If poverty could be eliminated through economic growth from which broad levels of the population and especially the poorest benefit, these people would not be forced anymore to deforest local woods in their daily fight for survival. And let us note: this concerns their present not their future needs. Such economic growth would mean that we get down to the socio-economic root of this environmental destruction – through good development aid.

In contrast to this, a conflict with ecological and social criteria exists in the case of environmental damages that are caused by wealth. The tendency that ever widening sections of the population consume almost as much as the wealthy people causes an increase in energy and environmental consumption – this is true on a national as well as on a global level (think for example of the ecological horror vision if every second Chinese or Indian drives a car). The burden for us, the privileged Western Europeans, in this context is: our energy- and resource-intensive level of wealth cannot be generalized in a global scope. In the long run we could only maintain our level of wealth through a violent oppression of the South for a limited period of time. But if the rich and mighty OECD countries want to avoid the danger of violent oppression and if they want to promote a peaceful and more or less just living together of all people on this planet, we, and particularly the richest among us, have to restrict our own aspirations. Are we really up to this, individually and politically?

What is open to debate, are core ideas of a legitimate form of life and societal order, which finally determine how we treat the environment, individually and collectively. The justification of models of a sustainable development that can be legitimized towards everyone is therefore, as mentioned, an ethical or even economic-ethical task, also with regards to ecological aspects. It is a technocratic illusion that we only have to increase the ecological efficiency of our economic means but that we do not have to increase the sustainability of our economic ends (Ulrich 1997): Against this illusion, we have to understand the problem as an inherently socio-ecological one (Diagram 2): ecological scarcities do not exist per se but they result from normative ideas of the good life, and they are therefore always – and increasingly – in the spotlight of social conflicts of values and interests.
As symbolized by this T-model, all ecological scarcities are embedded into social conflicts. Our foremost systematic task is to use these scarcities reasonably. This task cannot be resolved within the category of efficiency because it concerns our ethical reason that relates to the reciprocal respect and recognition of the people and to the fair consideration of legitimate claims of everybody on three levels – within a society, internationally and intergenerationally.

From this perspective, „sustainable development“ is in the end just a different, almost euphemistic or trivializing term for what denotes the equal rights of all human beings in respect of scarce natural resources. The realization of these equal rights is of course still far away. But in any case, sustainability requires a normative concept which implies the obligation to embed the responsible use of natural resources into a just societal order – and I emphasize societal, not just economic order.
2. A problem-solving approach: socio-ecological politics of limiting inherent necessities of market competition

If we observe economic-political debates nowadays, we notice that they are persistently dominated by the rhetoric of „economic necessities“: „We have no choice... global competition forces us...“ Thinking in terms of inherent market necessities prevails! Real inherent necessities can, however, only be found among natural laws; in our life-practice the established (systemic) inherent necessities after all derive from intellectual blinkers that rest on normative presumptions and that are institutionally solidified. And this means in practice: the superficial inherent necessities can be dismissed if we free ourselves from the mental constraints that lie at their roots (Ulrich 2008: 115ff.). In order to free ourselves we just have to ask for good reasons for the existing practice, respectively for the reform of this practice. „Reform“ here does not mean that we should further release the logic of inherent necessities as promoted by the market economy, but rather that we should envision new starting points for a life-serving politics that restricts those inherent necessities. I suggest four elementary steps in order to arrive at such politics.

2.1 Against the economistic reversal of ends and means

First of all we have to understand economic activity consequently instrumentally. Rational economic activity is not an end in itself, but a means for our good life and our just social life. In principle we can emancipate ourselves at least partially from the economic logic of inherent necessities, in our private life as well as in our „public use of reason“ among mature citizens:

- On an individual level, as persons of integrity, we can and should renounce on the maximization of our economic success (profit, income, consumption...) and instead limit ourselves in two aspects: a) with regard to what is conducive to our own cultivated life project, and b) with regard to social and ecological „externalities“ that are socially and intergenerationally generalizable and thus responsible. Such individual self-limitation, however, can only be reasonably demanded from individuals in a limited sense since individuals have to assert themselves in the competition in
order to earn their income. Therefore the fair integration of individuals into economic production processes is equally important as their freedom to emancipate themselves from the inherent necessities or the intellectual blinkers of the capitalistic market economy. Behind its alleged inherent necessities, almost always interests in the profitable utilization of capital can be unmasked in the end.

➢ Only on a collective level, we can at least partially limit these necessities. I assume that we also only want a partial limitation – because as far as incentives to utilize capital are useful for the general welfare, we probably want to conserve the highly efficient system of the market economy. But this welfare should be socially and intergenerationally generalizable, otherwise it is rather part of the sustainability problem and not of its solution… At the same time also the popular argument that economic growth creates jobs is not sufficient. Wasn't the relation between production and consumption meant to be reversed, that is: work as a means, and meaningful material wealth and life quality as a goal? Hasn't the (assumed or effective) economic-political goal to restore the state of full employment become questionable also from an ecological point of view? In order to quote again from the initially mentioned report:

„If nothing meaningful is being produced, the generation of a high domestic product just in order to achieve full employment is worse than a lower domestic product with more spare time but a higher quality of life.“ (Binswanger et al. 1978, p. 149; my italics)

But what if economic reasons (that is productivity reasons) and ecological reasons (that is the limits to growth) force us to dismiss the goal of full employment as an intended normal state? Do we have a modern alternative to the idea that everybody should secure his or her income on the labour market and that economic growth is indispensable for a highly productive, post-industrial society? I cannot enter this question at this point. Maybe we can come back to it in our discussion. Right now I would like to clarify some systematic preconditions.

In general, we have to overcome the tendency to reverse means and ends, that is, we have to stop to subordinate all life-practical needs to the economic logic. And this is not possible within the real existing logic of the market economy, because in this system the goal (namely, the maximum return on equity) and the means (namely, everything else) are already predefined. We have to use the
logic of the market system more consequently as an efficient means for achieving a socially and ecologically sustainable form of progress. Also here we have two points from which to start: a) by means of an intelligent, market conform politics of incentives and disincentives, we can influence the direction of impact of the market’s inherent necessities so that they become beneficial not only in an economic but in a superordinate sense. And b) we can constitutionally limit the scope of effectiveness of market competition in areas where the efficient utilization of capital is not an appropriate coordinating principle for achieving the superordinate goals. This conforms to the idea that areas where we rely on the market as a societal coordination mechanism must be judged according to market performance – but there is no reason to believe that we should rely on the market as a coordination mechanism in all areas of life!

2.2 Two-tiered regulatory politics: competition politics plus „vital politics”

These remarks have already prepared the second reflective step for dissolving our usual economistic intellectual blinkers: we need a two-tiered conception of a good regulatory politics (Ulrich 2005: 167ff.). This reminds us of what has been postulated in principle by the ordoliberal thinkers with a humanistic orientation, namely Wilhelm Röpke (1960) and Alexander Rüstow (1955: 74): we need to conceive of a good political order as a connection of superordinate “vital policy” (nice term, isn’t it?) and competition policy – the latter is just as important but systematically subordinate to vital policy (Diagram 3).

In order to avoid that the economic efficiency becomes an inherent necessity or an end in itself, we have to use economic efficiency consciously with regards to the vital-political standards. Hence, the goal is not to achieve compromises between economic and life-practical criteria but rather to switch from a horizontal to a vertical perception of the problem and to become aware of the right order of aspects. It is essential that we do not perceive socially and ecologically motivated standards as annoying external limitations of our economic dynamics and of the „economic rationality“, but that we instead perceive them as a precondition for the legitimacy and as a horizon of the meaning of a truly efficient and life-practically reasonable economic development. (An example may be the latest expert report from the UN agricultural council: it signalizes a change of thought
towards an agriculture that adapts itself to cultural and regional characteristics and so promotes the conservation of soils, forests and water sustainably).

1. **Vital policy** (A. Rüstow)
   = embedding the market economic system “within a higher order of things which is not ruled by supply and demand, free prices and competition” (Wilhelm Röpke 1960: 6)
   = design and limitation of the “blind” market forces according to ethical aspects of *the service of life*

2. **Competition policy**
   = imposition of open markets and effective competition *within the scope* of the vital-political standards
   = efficient use of competition in the market economy *for* “vital” ends

*Diagram 3: Two levels of an ordoliberal regulatory politics*

Economic rationality, understood in an unabbreviated sense, is to be seen as a kind of a magical triangle between efficiency, meaning orientation, and justice in which efficiency is subordinate to the other angles for inherently logical reasons (*Diagram 4*).

*Diagram 4: A magic triangle of reasonable economic activity*
The adequate participation of all members of society in the domestic product that has been generated collectively and through divided labour cannot be achieved through economic growth that is not subject to any criteria, but rather through contemporary economic citizenship rights and cultivated life projects. (If this slide is too coloured for you, please note that the colours have not been chosen haphazardly.) But let me proceed to the next solution for dismissing our intellectual blinkers.

2.3 Horizon of progress: a „civilized“ market economy

The horizon of a socio-economic development in the service of life could consist in a literally civilized market economy (Diagram 5) that is consequently embedded into a fully developed civil society - as a means for a good life and living together of free and equal citizens. This third way in principle leaves the ideological 20th century debate about systems with the idolization of the market on the one hand and the idolization of the state on the other hand behind. Instead, priority is given to really free citizens, not just to the „free market“ – free of what is the market supposed to be then? (It is not possible to develop the whole foundations of “civilizing” the market economy here; instead, I allow myself to hint at my English book Integrative Economic Ethics: Foundations of a Civilized Market Economy, which has come out in Cambridge University Press in 2008.)

Diagram 5: Third way between idolizing the market or the state: „civilized” market economy
To make it simple: It is important that we overcome the puberty-like period of an overly autonomous economic system and that we learn to reorganize the perverted relationship between market economy and civil society. Civilizing the market economy certainly requires an epochal cultural and political learning progress. We have the epochal task of thinking about the new chances of good life and living together that the incredible productivity of modern economy could offer us within a well-ordered (world) society – if only we are reasonable enough.

No less a figure than the great and nowadays rediscovered economist John Maynard Keynes has recognized this civilisatory chance. In his essay „Economic Possibilities for Our Grandchildren“ (written 1930) he predicted that future generations would experience that the economic production problem will be solved. In about 100 years, thus around 2030, the standard of life would be 8 times higher with a remaining 15 hours work per week, he wrote. Then people could ascribe „economic life“ the limited place it deserves and they could primarily dedicate their time to the more meaningful things of a cultivated life: abundance of life instead of mere abundance of goods could enrich human existence.

Unfortunately, jolly old Keynes was wrong with his prediction. He didn't foresee that the globalization of the markets would set back and complicate this project! We therefore need a fourth step against inherent necessities.

2.4 A vital-political market framework of global competition instead of „competition of market frameworks“

The institutionally unrestricted competition between locations is always also a competition between national regulatory frameworks. According to the dominant logic of private capital investment, a framework is „good“ if it is efficient for profit-making. This symptom of a political economism makes the current confusion between means and ends of the economy most evident: today there tends to be a competition between market frameworks instead of a supranational framework of global competition. Only such a supranational framework would be able to design and implement the vital-political standards necessary for sustainable development and for a competition that serves this development.

Put in a nutshell: Who says A, must say B – who is in favour of market globalization, should be reasonable enough to support a supranational framework for competition – and such a framework should not limit itself to a competition pol-
icy that is merely oriented towards efficiency as advocated by the WTO, but should extend to a supranational vital policy! This task is to be understood as an epochal challenge that certainly cannot be resolved politically in the short term. But we should acknowledge the principal reasonableness of Keynes' vision. Yet, as mentioned before, if we keep advocating the logic of economic growth as an inherent necessity we will never achieve a civilized market economy that is embedded into sustainable ecological, social and cultural standards. Designing a civilized market economy is the epochal vital-political task that involves the community of all autonomous world citizens in the 21st century.

I don't see any alternative to such an endeavour of civilizing the market economy: in times of the global competition between national locations it is even more important to promote the transition of the global market economy from the paleoliberal „state of nature“ in which the right of the stronger rules into a cosmopolitan state of law. In the very sense of Immanuel Kant's „Idea for a Universal History with a Cosmopolitan Purpose“ (1784) the project of civilizing the global market economy merely can be solved within a global governance, not in a solo run by single countries. What we need most today is the courage to conduct supranational politics with a civilizing intent.
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