ECONOMIC ETHICS AND CATHOLIC SOCIAL TEACHING IN A GLOBALISATION PROCESS

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One of the issues that is readily discussed today is the examination of relations between globalisation, economy and ethics. Three problems above all fuel such discussion: 1. Social crisis. — The level of solidarity in the world has reached the lowest point. There is the minority who are enjoying their wealth on one hand, and the majority who are barely surviving on the other. 2. Crisis of labour system. — New technological innovations render human labour redundant — man is replaced by “intelligent” machines. 3. Ecological crisis. — Irresponsible consumerism has lead humankind to the brink of a general catastrophe. These problems may be considered as “global”. Many believe that, in order to resolve them, we need a “global ethic” or “global optic”, which could open a multilateral and polysemic dialogue.

1. Globalisation and its Processes

It concerns “globalisation”. This fashionable word on one hand connotes euphoric expectations of human progress spreading to the farthest corners of the Earth, all for the well–being of man or world peace.¹

In addition to expectations and promising hopes, globalisation has also given rise to numerous fears, particularly the fear of general “social Darwinism” and destruction of indigenous cultures. Many are fearful of the Western economic and cultural imperialism spreading unchallenged to other cultures and values and believe that, when it comes to some of its views, globalisation is merely a sophisticated version of hegemony and imperialism: an ideology marked by globalism and Mcdonaldism. Even in industrialised countries, globalisation is often identified with unemployment and disappearance of social

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solidarity. In the countries of Eastern Europe and the Third World, it also means tougher competition.

It seems, however, that it is not possible to reduce economic development, which has justifiably been labelled negative, to the globalisation processes. Are not in fact the internal factors such as obsolete production structures, insufficient political and administrative system, bad management, inadequate economic and socio-political measures merely a screen intended to put to prominence negative consequences of the globalisation process?\(^2\)

Since controversy surrounds not only the consequences of globalisation, but also its meaning and scope, we should start by clarifying the notions involved.

Until the present day, broader economic, political and social activities have been defined in terms of internationalisation and transnationalisation. These should be distinguished from the phenomenon of globalisation, although in public discussion they are often equated. Internationalisation means permeability of borders, without challenging the national state. Transnationalisation is a process which results in creation of institutions such as the United Nations, the European Union or transnational corporations, which have risen above the national or constitutional order.

As opposed to the above-mentioned, globalisation means the occurrence and faster pace of the transborder interactions that actively or potentially connect (network) individuals, institutions and countries into an interdependent and complex assembly of unbalanced dependence. The primary point of reference for such development is no longer the national state, whose sphere of activity is thus restricted, but rather the world as a whole or perhaps some of its larger regions.

1.1. Globalisation and Economic Processes

Globalisation is undoubtedly a complex process, one that is generally regarded as primarily an economic phenomenon. In principle, the global economic network is not a novelty since the exchange of goods and labour has always played a significant role in the relations between countries and peoples. Over the last two decades, international trade relations have intensified at a particular dynamics. This is certainly due to technological advances in the fields of transport and telecommunications. They have become the enablers of a new form of the international division of labour. Above all, this phenomenon is the consequence of the liberalism of world trade, primarily

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of financial markets that have brought about new structures and models of activity.

Economic globalisation is rooted in certain ideas, representations of values and models, which are being transferred, often imperceptibly, to other societies. These ideas are permeated by Western civilisation which is often reproached for being under the dictate of commercial values and purely individual interests. This is evident in the increasingly commercial direction of human existence, and even in the shadows of such progress, namely unscrupulousness and consumption at the detriment of the environment. Ubiquitous competition in all areas of life has become a dominant feature of our existence. Traditional forms of solidarity are being replaced by indifference, which no longer cares for the fate of those who lag behind. The consequences are of socio-psychological (lack of direction etc.) and social nature (crime, extremism etc.).

Under the pressure of competition, which is ever increasing due to global interdependence, there is a risk that national or state politics will, by invoking upon the need for international harmonisation, exclude itself from responsibility even in such cases where it still has enough room for action. This diminishes political credibility and gives rise to more intense concerns among the people regarding politics and state. In global processes, the national or state politics lose their importance and capacity for action, while supranational institutions such as the UN gain importance. The latter ones, however, are not capable of imposing boundaries and rules of action that could streamline global competition into an adequate social and ecologically sensitive direction.

1.2. Competition — Conceptual and Practical Background of Globalisation

Globalisation is thus equated with such processes operating in the world, in which competition is spelled in capital, and solidarity in small letters. Such a world, comparable to a pool full of sharks, may be considered as a form of globalism that, contrary to multidimensional globalisation, implies an imperialist dominance of economy and suppression of ethics and politics. Globalism is ideologically rooted in economic liberalism.

Undoubtedly, in the core of the economic liberalism there is a paleoliberalism marked by belief in the consecrating power of free competition. It is a kind of pseudo-theological market metaphysics that attributes any occurrence of prosperity to the magical operation of some “invisible hand” of free market. According to such teaching, the state should be, if possible, excluded from economy. The only role that belongs to the state is the one of a “night

watch”, and its one and only task to maintain the order and formal equality under the law. The liberal state — the “night watch” — does not concern itself with aiding the poor and the weak, nor does it provide initiatives for material justice.

Neoliberalism, as opposed to paleoliberalism, advocates the supremacy of politics over economy. The task of the state is merely to shape an open market. Neoliberalism develops as a form of economism which, due to the increasing absolutism of economic rationality, advocates a pseudo-religious ideology that preaches total market.

The liberalism of order has taken an entirely different and ethically more convincing path. It emphasises the dominance of the politics that is not confining itself to a mere facilitation of global market, but rather directing the market to a servicing function. For such liberalism, market and competition are meaningful only as long as they continue in the service of more sublime goals.

In the shadow of the above-mentioned developments of liberalism, the very notion of an “economic (business) ethic” is appealing to many, yet in itself problematic. It would appear that there is a controversy as to how the relations between ethics and economy should be more precisely defined or, in other words, that it is difficult to unequivocally define the area of the economic ethic.

In the past, the occasion for examination of business ethics was provided by irresponsible economic activities. Great poverty, unrestrained exploitation of nature, encumbrance of the environment, endangerment of future generations as a consequence of certain type of economic behaviour, all lead to public discussion about ethical considerations. Social justice, property and labour, entrepreneurial initiative and responsibility for the environment are therefore traditional themes of the economic ethic.

2. Economic Ethics in the Shadow of Globalisation and Liberalism

If ethics is a normative science in correct behaviour, then its scope extends to include all areas of life — in other words, economy as well. The definition of good business practice as a correct practice, often with a direct reference to Aristotle, today is experiencing a renaissance, particularly in the management literature and politics.9

How is the “economic ethic” approached today? In the contemporary discussion on business ethics, three different, even mutually competing directions may be discerned.

1. Economic theory of morals or moral economics which is advocated in Germany, for instance, by Karl Homann and his followers.10 Homann’s representations of business ethics are framed by a broader programme of the “new interactive economics” which endeavours to explain the area of interpersonal relations from the point of view of a pursuit of personal benefit. Homann particularly relates to the notion of “economic imperialism” proposed by the American economist Gary S. Becker.11 The approach to morals is not open against but for economic calculation in the sense of the pursuit of benefit. This is justified by the fact that in contemporary societies, which are dominated by a systematic logic of competition, morality may be achieved only in the shadow of the economic advocacy of personal profit and benefit. For only the action driven by personal gain promotes innovation. In that sense, Homann also claims that “pursuit of profit for all” represents in fact “economic illiteracy”. In claiming so, he relies on the unquestionable authority of one of the most significant theoreticians of economics, A. Smith. In Homann’s inter-

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11 G. S. Becker, Der ökonomische Ansatz zur Erklärung menschlichen Verhaltens, Tübingen 1993.
pretation of Smith, morality is not the result of the altruistic and solidary
behaviour of agents in economy, but of personal interests.

2. Distancing himself from the economic theory of morals, in which ethics is
reduced to a systematic logic of economics, Peter Ulrich and his followers
advocate integrative economic ethics that searches for a fundamental ethical
reflection on economic relations. The core of integration is the harmonisa-
tion of two different interpretations of rationality in modernity. It concerns
economic rationality aimed at personal quest for profit and strategic aspect
of efficiency on one hand, and the rationality of mutual recognition and re-
spect for interpersonal demands (a normative logic of interpersonal relations)
that has already been recognised by all cultures as the “golden rule”, having
developed from Kant’s categorical imperative to the discourse ethics of K. –O.
Apel and J. Habermas. Based on the discourse ethics, Ulrich seeks to unite
the economic and the cognitive-ethical rationality. The result is a “regulative
idea” of the socio-economic rationality, in which certain point of view aimed
at meaning has advantage over that which is purely strategic, that which is
focused on mere success. Such point of view shapes a “moral starting point”
of the rational ethic of management whereby Ulrich prevents the reduction
of ethical reason to strategic wisdom and thus ensures the predominance of
ethics.

The conception of the “socio-economic rationality” should not be reg-
arded as a moral condemnation of the individual aspiration to benefit and
advantage. Ulrich’s conception relies on the principled willingness of partici-
pants to subject their strategic orientation to success in a conflict situation to
the conditions of legitimacy of just coexistence in the state. By searching
for what we may tentatively call the “minimum of morality”, the ethic of virtue
or, in other words, the individual ethic, gains in fact its special meaning. In
Ulrich’s thought, such ethic becomes an “economic and citizen ethic” — ac-
actually a life-conducting (institutional) ethic. We may say that in Ulrich the
individual and the institutional ethic are mutually complementary.

3. The third group of views on business ethics relies on the assumption that
market, politics and morals are autonomous yet at the same time interdepend-

12 P. Ulrich, Integrative Wirtschaftsethik. Grundlagen einer lebensdienlichen Ökonomie, Bern
1996; P. Ulrich, “Integrative Wirtschaftsethik: Grundlagenreflexion der ökonomischen Ver-
der Suche nach einer modernen Wirtschaftsethik, Bern 1990; P. Ulrich, Transformation der

13 P. Ulrich, “Integrative Wirtschaftsethik: Grundlagenreflexion der ökonomischen Vernunft”,
ent. Such starting points, which include any business ethics derived from the Christian social ethics, in principle are founded in the same dignity of all human beings that is built into the very foundations of the Christian image of man, as well as into the modern ethics of reason and the conception of human rights. Consistently, such starting points lead to an option for those who are from these rights factually excluded. Such view is advocated, for instance, by the economist Amartya Sen, winner of Nobel Prize for economics in 1998.  

The centre of Sen’s thought is occupied by individual freedom and the values attached to it, such as private interest, personal initiative and self-realisation, which are an essential instrument, as well as a fundamental goal, of human progress. Since man is also a social being, individual freedom is always connected with others and to a higher degree dependent on social assumptions.

Contrary to other liberal starting points, in Sen’s thought the notion of liberty is not limited to the negative aspect of the rejection of authority or obligations (anarchy). Instead, it is understood in a positive sense, as an ability to realise preferably the same chances in life. Since people depend on institutions, the prospects for the broadening of the individual and collective areas of action and decision depend on the type of institutions they exist in, on how they are created and how the access to them is regulated. In modern societies, particular importance is attached to the institution of market.

Elaborating on A. Smith, Sen attaches a moral qualification to the principle of competition yet, at the same time, determines that market on its own is not capable of creating prerequisites for an approximately equal approach and just participation. The success of the market system, according to Sen, depends on the combination of institutions where market is only one of the elements. Others include the guarantees of democratic freedoms and political rights, the access to basic institutions (primarily education and health) and the social security and protection systems. The access to any of those institutions, in view of the prospects of freedom, represents an important value. For economic development, at the same time, it is of central importance. The functioning of the active competitive systems, in Sen’s opinion, depends on moral basis — particularly values such as trust, reliability, openness to cooperation... Thus we may observe also in Sen that the individual ethic is complemented by a communal one.

The decisions regarding social goals or the framework of the order that stimulates and realises it, may be passed collectively, based on rational con-

sideration (“Social–Choice–Theory”). Namely, Sen believes that the rationality of collective decision–making is possible. In the process, the discovery of such decisions depends on what information is or is not taken into consideration. The social processes of negotiation require sufficient quantity of information, not just the focus on certain principles, such as, for instance, the principle of increasing profit. Besides, the processes of collective decision–making do not imply a total agreement of all participants with respect to all issues involved, but a practical knowledge on how to resolve certain fundamental problems. It should be assumed, however, that in the majority of societies, a consensus shall be sooner reached with respect to the issues that involve overcoming an obvious injustice such as eradication of famine, fundamental rights violation or discrimination of women, then a fair distribution of resources.

2.1. Anthropological Assumptions in Economic Ethics

The above–presented models of economic ethics are based on two different anthropologies or two different interpretations of man that may be discerned in A. Smith.\(^{15}\) The proponents of the economic theory of morals such as Homann take for their starting point a methodical individualism aimed at personal benefit — consequently, the figure of “homo oeconomicus”. Based on a deduction regarding the moral value of personal interests, they recognise A. Smith as their predecessor. However, “homo oeconomicus” remains a construction that was developed only after Smith, namely within the liberal neoclassical frame.

Other interpreters of Smith, joined by Ulrich and Sen, take for their starting point a broader image of man, and consider the attribution of the conception of “homo oeconomicus” to Smith as a “great misunderstanding”. Namely, they point to the fact that Smith’s considerations of economics are anchored in one philosophical sketch. The arguments for this claim may be found in the noted and valuable analyses of human behaviour, presented by Smith in his first great work in 1759 under the title “The Theory of Moral Sentiments”.

For Smith, man is more than just a being that strictly maximises his own advantage. No matter how egotistical, he plays a role in the fate of others. Namely, man is a being of compassion and sympathy. Therefore, in “Wealth of Nations” Smith shows great concern for the fate of the poor and labourers, which is additionally confirmed by the fact that Smith believed “moral sentiments” to be particularly important in the area of economics. The aspiration

to advantage or benefit — competition — is restricted in Smith by the sense of justice, which according to his insight, corresponds to human nature.

There is convincing evidence in support of the claim that the political economics of A. Smith is based on an integrated image of man that does not assume that man always acts in a rational manner or only with his own benefit in mind. Moreover, it relies on the socio-philosophical statement that man’s individual and social nature are interdependent.

Urged by socio-psychological research, in recent years economy has developed in the tendency which has an empirical confirmation of such differentiated structure of behaviour displayed by agents in economy, and seeks to use these insights in the interpretation of economic relations. These studies clarify that any economic activity aimed exclusively at personal benefit must be insufficient. Economic activity is not only impregnated by limited rationality, but also by limited power of will and limited egotism. Businessmen are not motivated solely by the extrinsic, by exterior stimuli (extrinsic motivation), but rather act from inside (intrinsic motivation), so that they regard certain activities as particularly meaningful or they wish to respect certain values for themselves, as a just thing to do. In many cases, it is possible to bottle up intrinsic motivation by certain momentary, extrinsic (extrerior) stimuli. This goes to confirm that, contrary to Homann’s interpretation, it is justified to adhere to normative requirements. Moral intuitions do not require economic justification; they make a part of motivation even within economic activities.16

Ulrich and Sen therefore correctly point to the fact that even while shaping a framework economic order, participants should recognise their own political responsibility when such order should be directed to certain normative requirements such as justice or solidarity. In relation to this matter, it is obvious that the classical two-levelled model consisting of the individual ethic and the institutional ethic on its own is no longer sufficient, because it excludes the social level. The latter one surely must be given greater attention. It concerns the social interspace of collective participants.

2.2. Future Sustainability

The central challenges of an economical-ethical reflection are undoubtedly the current and future environmental issues. Many economists believe that the essential cause of this problem is an inadequate evaluation of the ways in

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which nature is used. Nature is being excessively polluted. We must therefore put in motion such market mechanisms that will prevent it. This, however, often does not suit powerful interest groups. Surely, some branches and parts of industry would be incurring losses in the short run, but in the longer run they would profit. Moral economics (as interpreted in Homan’s theory) refuses to take into consideration the existential interests of future generations because they (the future generations) are absent from the negotiating table. It is necessary therefore to utilise a “moral viewpoint” outside of individual ponderings.

In addition to the political measures aimed at efficient, effective protection of resources, a question is posed concerning the new direction of the Western model of civilisation that would provide to the people of other meridians of this Earth enough room for their own development — moreover, that would do so without environmentally harmful consequences. Industrial countries ought to design a model for the civilisation that could apply to everything and accept the responsibility for the entire world. That would imply renewed calls for a better social efficiency (to own — to have and to share), as well as an individual sufficiency, the morality of correct measure. In that sense, Ulrich’s starting point appears to us to be particularly valid.

Namely, Ulrich seeks to answer the question how meaningful (the question of meaning) our management is, as well as how justified with respect to others (including future generations too) such management is (the question of legitimacy). The basic meaning of management according to Ulrich is the fulfilment of basic human needs. On a more advanced level of development, it would no longer remain the question of mere “maximising of goods”, but of “broadening diversity of free and cultivated prospects of the development of citizens”. The latter presupposes the culture of proper measure, which in any case should not be equated with radical asceticism. Rather, it is the question of that which may be described as the “criticism of needs”.

Furthermore, with the question of legitimacy, Ulrich takes up the theme of the conflicting state of the social management and the consequent need for political direction. The point of reference for that are “human rights” recognised by the majority of countries, which do not only include civic and political rights (civic pact), but economic, social and cultural (social pact) rights as well.

Consideration of such direction of economy has nothing to do with a moral condemnation of market, competition or technological progress, as some contemporary economists claim. Such fundamental reflections point to the fact that economy, market and technological progress are not goals unto themselves, but only instruments. This has not been remarked only by the great theoreticians of economics such as A. Smith, Alfred Marshall (founder of the neoclassical theory of management) and John Maynard Keynes (founder
of the Welfare State). It is a point frequently made by philosophers, religiologists or theologists as well.

3. Globalisation, Economic Ethics, Religions and Social Teaching of the Church

We may state that globalisation is an extreme form of capitalism (liberalism) whose starting point is found in de–socialised economic processes. What do religions, particularly Christianity, have to say about it? We should certainly observe that the central task of religions has always been, and continues to be, an ethical meditation of social progress. In their moral and spiritual tradition, as Dalai Lama said a little over three months ago in the lecture given at this Faculty, religions can help to re–examine economism (exclusive focus on economy!) in the globalisation processes and to prompt a search for creative alternatives.\textsuperscript{17} In all religions there are connections [many speak of religious potential] that encourage global responsibility for all people and by consequence a broad solidarity that goes beyond any generation. Surely, in that matter religion has a tremendous motivating power.

All religions are perceived today as universal offers. In the sense of the teaching of the Second Vatican Council of the Catholic Church, they desire to mediate the truth about man that is applicable to everyone. All religions speak of human dignity and the social dimension of man. This is precisely the point that needs to be constantly made in the globalisation processes.\textsuperscript{18}

As opposed to the Protestant or Orthodox national churches, for the Catholic Church, which considers itself as a global church, globalisation represents a particular challenge.\textsuperscript{19} How is globalisation a challenge for the Church?

Since globalisation (in the field of economics) has its winners and losers, based on its option (determination) for the poor, the Church perceives this process from the point of view of those who are sidelined or defeated. The Church advocates a globalisation process that is worthy of man, according to the message of Gospel and the tradition of the Christian social ethics. True, the Catholic social teaching (as opposed to Marxism) emphasises positive


fruits of competition, but also commits itself to the principle of solidarity.\textsuperscript{20} “The culture of sharing” or solidarity that is not limited to a certain “mentality of mercy” ought to become the core of the globalisation processes.

Therefore, the Catholic social teaching points to the liberalism of order, but in the sense of the order of values which surpasses material economism and considers man in his entirety.\textsuperscript{21} In that context, the central thought is that man is a spiritual moral being whose ultimate goal is in God. Economism or consumerism is judged and criticised from that point of view. The Church, in the words of Pope John Paul II, is in favour of the globalisation of solidarity that is to replace the globalisation of the pursuit of profit and increase of poverty — in favour of the globalisation of justice and civilisation of love.

I think, therefore, that the Catholic Church offers a sober and moderate realistic view of the globalisation processes. The Church warns that these processes should be motivated by the common interest of humankind (common good) and that globalisation should pursue that goal. However, the prerequisite for a positive evaluation of globalisation is a reserved view of the Church regarding the global competition interpreted as “the society of pushiness”\textsuperscript{22} or regarding the processes of economism and globalism that are aimed solely at profit.\textsuperscript{23}

Globalisation is a process that brings about advantages and dangers. We should recognise that in such process there are no “excluded” individuals.\textsuperscript{24} Surely, the functional relation to the world, utilitarianism and anthropocentrism, assertion of individualism, belief that might is right and naked rationality, as well as the acceptance of the strategic balance of fear as the driving force of the world (world politics) (which in this article has not been dealt with), take as their starting point a different worldview and ethical principals and ideals. They are incompatible with the idea of building a democratic society of equal rights and general solidarity. And they ought to be abandoned!

\textsuperscript{20} Quadragesimo anno, p. 88; Centesimus Annus, p. 34.


\textsuperscript{22} Ph. Thureau-Dangin, Die Ellenbogen–Gesellschaft. Vom zerstörerischen Wesen der Konkurrenz, Frankfurt 1998; See also R. Hank, Das Ende der Gleichheit, Frankfurt 2000.
