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And the Real Butchers, Brewers and Bakers?
Towards the Integration of Ethics and Economics

Abstract

The difficult dialogue between human rights and business shows that neither the adoption of codes of conduct nor the enforcement of legal norms would overcome the supposed incompatibility of ethics and economics. Such a general supposition is the effect of a narrow understanding of economic activities, which in turn is the result of both neoliberal ideology and the traditional externalising approach of economics. I stress the necessity of the integration of ethics and economics, which would require not only the broadening of the economic horizon, but also the redefinition of the status of economic theories. I propose to conceive of this redefinition as a shift of the theoretical allegiance of economic conceptualisations, from the supposedly descriptive natural and social sciences to the discourse of politics.

Keywords: economics, ethics, externalities, Galtung, human rights, Polanyi, politics, Sen

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The difficult dialogue of human rights and business

'At the dawn of the 21st century, one of the most significant changes in the human rights debate is the increased recognition of the link between business and human rights' (OHCHR, 2000a). Within human rights discourse, this link is fostered by a growing demand for the public accountability of business subjects. Within the business community, the need for an engagement in human rights is mostly the result of the growing weight of human rights claims over business decisions. Already in 2000, a survey by the Ashridge Centre for Business and Society reported that human rights issues caused 36% of the biggest companies to abandon a proposed investment project and 19% to disinvest from a country (OHCHR, 2000b). However, the increasing interest of companies in human rights is also an outcome of the positive reinforcement that these very companies received as a result of the choices of the consumers. Firms that revamped their public image in regard to human rights issues were generally rewarded by increased selling. Moreover, the rising public awareness of human rights also influences the choices of companies through the personal attitudes of their employees. Nevertheless, so far neither successful human rights claims, nor the increase of selling or the goodwill of employees could grant that firms were generally respectful of human rights. A more systematic effort in this direction was the voluntary adoption of ethical codes of conduct by some companies. Such codes set guidelines for business practices concerning fair employment rules, workers' health and safety, and environmental standards. Of course, in order to be at least minimally effective, a code of conduct for national and transnational companies should explicitly include their contractors, so that firms would accept responsibility also for the practices of their business partners. However, the most ambitious attempt to promote voluntary self-restrictions in business practices did not produce the hoped outcome. This initiative, dubbed as the Global Compact, was launched in 2000 by the United Nations. Its target was to have companies, UN agencies, labour and civil society jointly support nine human rights principles (UN, 2004) (a tenth principle was added in June 2004). Nevertheless, the Compact lacked any system of real control, because the main corporate participant to this initiative, the International Chamber of

Commerce (ICC), fought against any form of monitoring or enforceability. In August 2003, the UN Sub Commission for the Protection and Promotion of Human Rights attempted to overcome the limitations of the Global Compact, by approving the Norms on Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (SCUNHR, 2003). Moreover, on the 20th of April 2004, despite the strong opposition of national and international corporate organizations, such as the already mentioned ICC, the International Employers Organisation, the US Council for International Business and the Confederation of British Industry, the UN Commission on Human Rights requested the Office of the High Commissioner for Human Rights to focus on the definition of companies' responsibilities in relation to human rights (UNCHR, 2004). After that date, the only other notable UN initiative was the 2011 endorsement of the Guiding Principles on Business and Human Rights, which were still far from enforceable.

Ethics and economics: an invitation to drink and drive?

Even enforceable norms that hypothetically stated the accountability of companies in regard to human rights issues would not yet pursue the integration (or, borrowing from Polanyi, the re-embedment) of human rights principles within economic activities. As these (hypothetical) norms would be imposed as external rules over business subjects, they would not challenge the idea that ethics and economics are essentially incompatible matters. As Amartya Sen wittily underlined:

> 'Many people are reluctant to mix ethics with economics, and will refuse to get into ethics and development (…) in the same way they would turn down an invitation to drink and drive' (Sen, 2000, p.1).

In other words, from a business perspective, ethics is considered at best as a luxury, and at worst, as a hampering factor. More in general, inasmuch as not only businesspeople but also the general public are not able to transcend the divide between economic facts and ethical values, they all hold human rights (and ethics in general) as a more-or-less acceptable obstacle to the flow of economic activities. Hence, regardless if they are implemented by voluntary choice or by legal enforcement, human rights have to make their way against the tide of the common understanding of the economy. Such a movement upstream substantially hinders human rights implementation. Moreover, if we maintain that human rights and business interests are essentially in contrast, we must admit, following the iron lady, that there is no alternative (George, 1999, p.3).

On the contrary, I propose to challenge the very assumption of a fundamental divergence of human rights and economic activities. Of course, I do not deny the sociological evidence according to which, in Sen's words, the association of human rights and business is generally perceived as an invitation to drink and drive. Nevertheless, rather than considering this sociological evidence as the effect of the supposed essential (and contrasting) properties of human rights principles and the economy, I would suggest understanding the current perceived contrast as the effect of a specific way to conceptualise economic activities. Whilst this specific way is deeply rooted in economic thought, since the last forty years it took the clear-cut and simplistic shape of neoliberal ideology. I contend that if we want to build a theoretical perspective that pursues 'the integration of the role of the norms and values with economic reasoning' (Sen, 2000, p.8), we should challenge neoliberal ideology, but also the more general externalising approach of economic theories, which is well grounded in the history of economic thought.

The neoliberal wasteland and its modern rhetorical grounding

> 'In 1945 or in 1950, if you had seriously proposed any of the ideas and policies in today's standard neo-liberal toolkit, you would have been laughed off the stage or sent off to the insane asylum' (George, 1999, p.1).

These words by Susan George brilliantly express to what extent the ideological climate shapes our common ideas. Since forty years, neoliberal thinkers strove to mould our economic reality, by presenting their thin abstractions as economic facts, i.e. inevitable natural facts. Of course, we all know that economic facts are far from inevitable. They are the results of complex human activities, such as planning, taking decisions, building relations, defining values and negotiating. They are neither acts of god nor nature, but social activities. Nevertheless, neoliberalism succeeded in making again commonsense the concept of a natural course of the economy, as opposed to the unnatural intervention of the state. This means not only overturning the economic visions and policies that preceded the neoliberal crusade, but also denying world economic history, in the name of abstract natural laws. According to the neoliberal vulgate, such natural laws are supposed to be constantly at work, and humans are likewise supposed to comply with them by following their natural personal interest. Neoliberal economists often appeal to Adam Smith as a witness:

> It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love (Smith, 1910, p.13).

We may easily admit that this sentence can help us to clarify why we seek exchange. However, following Sen, we may also notice that the sentence tells us nothing about the conditions that are necessary to enable exchanges. For example, in order to negotiate and implement a contract we need more than motivation. The actual operation of exchanging contracts requires institutions for legal enforcements, for monitoring, for audit and accounting, and behavioural ethics. Smith knew it well, but his neoliberal epigones prefer to let the contracting actors perform in a social vacuum. In the abstract atmosphere of the neoliberal wasteland, abstract individuals unfettered by social ties perform abstract economical acts with the only motivation of self-interest. On the contrary, real butchers, brewers and bakers are nodes in a social network, which shapes their actions and which is in turn shaped by their agency. This interaction cannot be reduced to mere self-interest.

Moreover, also the concepts of ‘self’ and ‘interest’ are problematic, because they also are shaped through social interaction. How was it possible then that the neoliberal simplistic models were taken into account as a representation of reality, and that they attained a commonsense status? I suggest that neoliberal theorists could not only rely on media and financial resources (which poured into the neoliberal crusade) but also on the powerful rhetorical apparatus of modern thought. For example, their appeal to Smith and his butcher, brewer and baker exploited the centuries-old modern rhetorical tradition of constructing self-evident ideas through the use of parables.

Modern thinkers often spoke in parables, though they slightly twisted their biblical models. Whilst biblical parables described a specific situation in order to allude by analogy to a more general meaning, modern parables described a situation that was also an instance of the intended general meaning. For example, Smith mentions the butcher, the brewer and the baker as particular cases of the abstract economic subject, whose behaviour they represent in the parable. Smith tells us the parable, because he wants us to agree on the behaviour of this abstract economic subject. For this purpose, he refers to the butcher, the brewer and the baker, whose behaviour we understand by personal experience, which is the limited experience of economic exchange. Moreover, we also understand that the butcher, the brewer and the baker are examples of the abstract economic subject, and their behaviour is an example of the behaviour of the abstract general subject, i.e. of the supposed behaviour of everyone.

Modern thought made us used to deal with abstract subjects by using parables, which surreptitiously turn specific subjects into generalisations. Because we were taught to conceptualise this technique as the process of logical abstraction, we could no longer recognise it as a rhetorical strategy. By using this same strategy, modern thinkers constructed several abstract subjects. For example, the parables that narrated of a native Polynesian generated the abstraction of the Good Savage. Moreover, the idealized description of philosophical dialogue produced the Kantian Reflective Subject (and his Habermasian late avatar). The Smithian butcher, brewer and baker were instead the more unruly representatives of the Aggressive Bourgeois who, under the shape of the Socialdarwinian Subject, ended up populating our contemporary neoliberal wasteland. This wasteland, namely the world and the economy as construed in neoliberal terms, was necessary because abstract subjects cannot survive in the world inhabited by real Polynesians and real butchers. A clear-cut abstraction such as the purely self-interested *homo œconomicus* required a likewise clear-cut abstract reality: the objective nature devised by modern science. This objective nature, in turn, was impartially ruled by universal laws, whose main instance and model was the Newtonian gravitation law.

A double move: economy in, externalities out

When Smith and Ricardo construed Classical Economics, they had in mind the model of a universal system ruled by universal laws. Especially in its most sophisticated formulation by Marx, value theory was shaped on the model of conservation laws devised by physicists and chemists. The term with which Marx defined his new concept of labor-power, namely *Arbeitskraft*, combined the two words *arbeit*, i.e. work, and *kraft*, i.e. force, which were used by Mohr and Helmholtz in their definitions of the principle of conservation of energy. Moreover, economic theory was the expression of the bourgeois, which the normative and coercive powers, namely the Church and the aristocracy, long allowed a very limited autonomy. Thus, the bourgeois remained used to look from a very limited angle at the cost and benefits, ‘only considering their own firm and that which could be monetised, leaving out the rest of society and leaving out the ‘externalities’’ (Galtung, 1986). It is not surprising that Smith, Ricardo and Marx conceived of economic activities as a separate and coherent system ruled by the law of value. This law was supposed to operate as a natural law, although Marx delimited its functioning with the chronological boundaries of the historical capitalism, to say it with Wallerstein. However, Marx too accepted to limit economics to the traditionally accountable goods (to which he added human labor-power), because his aim was not to improve the system but to underline its contradictions. Hence, externalities remained out of the economics of both the supporters and the critics of the supposed economic system. As Galtung recalled:

> ‘Later on, economics developed from business economics to national economics, treating the country like a firm, repeating the same mistake at the level of the world system, resulting in a fragmented world, a segmented vision. The externalities were never brought into the scheme’ (Galtung, 1986, p.98).

On the contrary, externalities should be integrated in the economic discourse ‘to bring it into harmony with the expansionism of the economic practice, to make the practice transparent’ (Ibid., p.99). In other terms, as economic activities already deal with externalities, economics should acknowledge them. However, we may ask ourselves which externalities should be recognised, and how they could be integrated in an expanded economic thought.

At the risk of being *naïve*, I will attempt to conceptually grasp externalities. A definition of externalities can be only negative, because *strictu sensu* they are everything economic thought refuses to deal with. Nevertheless, we could restrict the definition to anything that affects and is affected by economic activities, but it is not taken into account by economics. We could then try to map the huge area covered by this definition by using different criteria. One criterion could be the distinction between positive and negative externalities. Some examples of positive externalities could be the benefit of learning, improved social relations, the sense of cohesiveness and the sense of achievement. Negative externalities could be represented by pollution, depletion, dependency and deprivation. We may also look at externalities from a different angle, by considering the opposition between the formal economic sector and the informal or invisible one. This invisible sector would include the shadow work (Illich, 1980), i.e. all the human activities that are necessary for survival in addition to the activities that are economically acknowledged. For example, Max-Neef remarked:

> In Sweden, time budget studies have shown that the working time in the formal economy, private and public sectors, amounts to 6 billion hours per year. The

volume of work in the so-called ‘white’ economy, which only includes house-work (cooking, cleaning, washing), shopping, work with children, upkeeping, travel and a miscellaneous category, amounts to almost 7 billion hours per year (Max-Neef, 1986, p.48).

If such was the proportion in a Northern country, we could argue that the overwhelming majority of survival activities in a Southern country are performed without economic recognition. We might think to internalize these activities, by turning them into waged work. Nevertheless, in this case we may wonder by whom, how much and with what resources these works could be paid. It is likely that, at least in the South of the world, these questions would not find a realistic answer. Moreover, the same strategy, i.e. making externalities measurable in money terms, was already applied by conventional economists to environmental issues with very limited success. The battle to monetize the environment, started as early as the 1920s by Pigou and Von Mises, is being lost because of technical difficulties and because the environmental impact on the poor would be underestimated in any case. On this regard, we may recall the current example of insurance companies’ compensation criteria, which are patently discriminatory towards the poor. Moreover, besides the technical and financial difficulties, we could question the ethical, social and political aspects of reducing people, attitudes and the environment to money value. As Polanyi warns, this might just help extending commercial norms into new spheres (Polanyi, 1968). However, the internalization of externalities would not necessarily imply that these externalities must fit conventional economic categories. Externalities would not even necessarily need to be quantified. If our aim is to broaden the economic horizon, so that it could take better account of human economic activities, we should recognise that quantitative analysis is neither the only way to do it, nor maybe the best one. Though the quantitative approach plays a major role in economics, it cannot explain economic activities without the contribution of qualitative descriptions (both explicit and implicit). Of course, we can abstract for theoretical purposes from the concrete circumstances of economic dealings, and we can summarize economic transactions with mathematical formulas. Nevertheless, this is just the accounting practice hinted to by Galtung. Actual economic activities imply not only calculations, but also many other aspects that exceed calculations. The work of Sen began to make this long hidden excess recognisable also within economics (Sen, 1999). The indicators introduced by Sen in the technical apparatus of economics are not reducible to quantitative analysis. Moreover, the incorporation within economic theory of such indicators as personal, physical and mental wellbeing, agency and self-esteem gives us a glimpse of the integration of ethics and economics.

A modest proposal: towards a change of conceptual allegiance

I argue that the integration of ethics and economics would also require a redefinition of the status of economic theories. Such a redefinition may well imply a shift of the theoretical allegiance of economic conceptualisations, from the framework of the supposedly descriptive natural and social sciences to the discourse of political theories, which could better tackle the complexity of human economic activities. Of course, the political discourse I am considering here goes well beyond its narrow modern Hobbesian frame, and it includes the book A of the *Politics* in which Aristotle invented Western economics. Moreover, the redefinition of economists as political theorists would hark back to the classical tradition of political economy, which nonetheless we can now reconsider in the light of the acknowledgement of the performativity of science. In this case, we are no longer bound to accept that political economists simply described their object. I would instead suggest that political economists construed the economy as a concept by integrating the speculation of the Physiocrats into a two-headed ontology, which was centred on both Market and Value. On the basis of these two conceptual poles, political economists devised the economy as a system, which was endowed with global properties. Whilst the Market was attributed the ability to restore equilibrium, Value was credited with the capacity to reveal itself through prices by Smith and Ricardo. Though Marx deemed the extraction of surplus value as an absolute obstacle to the local convergence of values and prices, he nonetheless postulated the global equivalence of the sum of the prices of production of the total social product with the sum of its values.

Moreover, economic theorists in general tacitly agreed on splitting the descriptive side of their theoretical constructions from the prescriptive side of dictating economic policies. Even Marxist economists could easily bracket epistemological subtleties by focusing on economic objectivity, albeit within the historical limits of a specific mode of production. With undoubtedly different view and scope, but with a similar claim to portray how things stand, Neoliberals successfully appealed to the fundamentalist ontology of the Market. Their approach resembled the equally successful fundamentalist strategies of both Christian Reformation theologians and early modern natural philosophers. As shown by Feyerabend and Latour, these theorists presented their objects of faith, god and nature respectively, as the source rather than the result of their activities of controversy settling. In the same way, Neoliberals not only derived their prescriptions for economic settlements from their idealised view of the Market, but they also successfully inspired the attempts of financial, industrial, educational, media and governmental actors to shape actual markets. Hence, after forty years, neoliberal prophecies are more likely to self-fulfil, to say it in Merton's terms. In other words, it is nowadays more probable that a social actor would embody neoliberal economic assumptions and perform as an atomised entity who seeks only to maximise her individual advantage. This is not a new result, as Polanyi already showed how economic theories played a major role in shaping the economy and in establishing the labour market. However, whilst we may acknowledge that *homo oeconomicus* does (sometimes) exist, we would understand *him*, following Callon, more as a result than as a presupposition of economic activities. This understanding would involve the exposure of the founding narrative of economic thought, that is the severance of economics as a discipline from economy as a thing. Of course, such a severance is a more general feature of modern sciences, which boasted their separation as descriptive theories from their described objects. We are now able to see this alleged severance as an effect of the historical context of modernities rather than an epistemological datum. Nevertheless, even the acknowledgment of the performativity of science would not necessarily free economists from the compulsion to emulate physics or biology and to be the Newton or the Darwin of their discipline. On the contrary, the reframing of economics as political theory could produce the theoretical reversal of

Polanyi's great transformation, by immediately re-embedding the *oikonomia* into the social fabric. We may hope that the economics to come will at last dispose of both good and bad abstract subjects, and it will open a fruitful dialogue with the real Polynesians, butchers, brewers and bakers.

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