



## ECONOMICS AND ETHICS

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<p><b>Received:</b> March 26<sup>th</sup> 2022 <b>Accepted:</b> April 26<sup>th</sup> 2022 <b>Published:</b> June 6<sup>th</sup> 2022</p>	<p>The study dealt with the concepts of economics and ethics and aimed to find out whether there is a relationship between them. We have systematically reviewed in detail the literature on ethics and economics separately and studies on both economics and ethics. Research questions were identified based on an observed problem; Then we followed several steps. Defining the problem showed the need to pay attention to the verification of the topic and from the in-depth study of these studies we came to the conclusion. Economists are able to understand and predict outcomes more effectively when they consider the role of moral beliefs and obligations. And linking economics with ethics helps to understand customer behavior. And earns the organization a strong business reputation, which helps it to survive, continuity and increase productivity. In addition, the integration of economics with ethics leads to social responsibility, which makes some organizations pay more attention to the environmental aspect</p>
<p><b>Keywords:</b> Ethical Economics, Ethics, Business Ethics, Economism, Rationality</p>	

### INTRODUCTION:

The birth of modern economics is credited to a moral philosopher who wrote of both sympathy and self-interest, but nearly 250 years later the connection between ethics and economics has worn thin. In the last century especially, economics has adopted a scientific, positivistic, and empirical sheen, and its ethical foundations have been more difficult to discern, although they are still there. As long as it studies the choices, interactions, and welfare of human beings (White, 2019: 2). Sen argued that "modern economics has been substantially impoverished by the distance that has grown between economics and ethics" (Sen 1987: 7). The study of economics, though related immediately to the pursuit of wealth, is at a deeper level linked up with other studies, involving the assessment and enhancement of more basic goals. 'The life of money-making is one undertaken under compulsion, and wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else' (Sen 1987: 2)

Business in its modern sense, and business ethics with it, is a product of the industrial revolution of the 18th and 19th centuries in Europe and America. The use of the concept for periods before that time is therefore not quite appropriate. Nevertheless, there certainly had been, in practice, an implicit business ethics in commercial affairs, where certain values were upheld at least in times of peace. The Egyptians, the Phoenicians, the Greeks and, in the later Middle Ages, the Italian and Dutch merchants, as well as the

tradesmen of the Hanseatic League, all followed specific deontologies. Because of the locally integrated and sometimes tribal nature of trade, business also included many social concerns, mainly through the distribution of income and support of members throughout the community, the clan, or the family.

Environmental concerns seem, however, to have been the exclusive concern of the public authorities. In ancient Rome, and in the Paris and London of the Middle Ages, it was by the town councils, or by Imperial or Royal decree, that tanneries had to relocate because of the pollution they created. This may be attributed to the fact that, although pollution could be locally severe, it was not perceived as a general social problem.

One reason for the lack of a general perception of pollution as a social problem was its small scale, compared to the healthy forests and countryside dominating the landscape in those days. Another reason seems to be the partitioning of society into social classes where the distribution of costs due to pollution fell almost entirely on the more destitute classes. This coincided with the wealthier classes holding all the power and the lack of education, indeed of any literacy, of the poorer classes. The conceptualisation of pollution as a social problem could therefore only have been voiced by the ruling classes who had no immediate contact with the problem, and so no incentive to give it any further thought. In this context, concern by the public authorities seems to have had two possible origins. The local pollution, like



that from tanneries, was such that it affected more people than just the tanners themselves and their families. Another possibility was that the pollution affected the image and prestige of the town and its rulers. Such seems to have been the case for Paris as early as the 13th century, and in particular under Louis XI in the 15th. (Schilizzi, 2000:3)

#### **Problem statement:**

When buyers and sellers meet in markets to trade money for good and services, they are seeking their own self-interest—but they are also behaving honestly and honorably, although standard economic models make it difficult to explain why. Policies, regulations, and laws are typically designed to maximize aggregate welfare, and this is certainly *an* ethical goal—but not the only one, and economics needs to make room for other possibilities, but Present-day mainstream economics, which still bears the neoclassical stamp, conceives of itself as an autonomous, 'value-free' science. So, we ask:

- **Can ethics be separated from the economy?**
- **Can "economy and ethics" be considered one field?**

#### **AIMS OF THE STUDY:**

1. Highlighting the relationship between economics and ethics
2. Expanding the moral foundations of the economy.
3. Learn the meaning of welfare and business ethics.
4. Provide a conceptual framework on economics and ethics.
5. Urging organizations in all their fields to pay attention to the environmental aspect.

#### **RESEARCH LITERATURE:**

##### **A Brief Historical Survey :**

The call for an ethically integrated manner of economic reasoning may appear to 'pure' economists as a provocation. During the span of more than 2,000 years from the Ancient Greeks to classical Political Economy, however, economic activity was always considered from ethical-practical points of view. The concern was with the instrumental role of the economy for a good life and the just coexistence of human beings. Conceptually, the economy remained embedded in superordinate models of the well-ordered society and derived its normative orientation from

these models. An example is Aristotle's wellknown triad of ethics, politics and economics – lexically arranged in this sequence. The Nicomachean Ethics (Aristotle, 2000) thus leads in the end to the Politics

in which economic theory is found embedded. It is no coincidence that the founders of modern economic science – specifically Adam Smith – were also, and primarily, moral philosophers. Smith's liberal economic theory still utilized a political economy with a moral-philosophical intention

The same is true for John Stuart Mill's sophisticated approach to political economy as a methodically specialized branch of a more comprehensive social economy and political philosophy Beginning in ca. 1870, the age of the neoclassical revolution, everything changed.

Most economists no longer desired to be moral philosophers or carry on with political economy, but instead wanted to have a theory after the example of the natural sciences at their disposal: value-free, objective and as formalizable as possible. Present-day mainstream economics, which still bears the neoclassical stamp, conceives of itself as an autonomous, 'value-free' science – i.e., as 'pure economics' already pointed out the impossibility of an economics that was independent with regard to the issue of ethics. And even though this criticism remained uncontested, it

has been largely ignored by the mainstream of the field to the very present. Thus the current necessity of a special economic and business ethics is not as pressing an issue as the counter-question: how an economics that conceived of itself as 'ethic-free' and unpolitical could ever have developed. Only on that basis can the core problem of the systematic reconnection of ethics and economics be comprehended. (Ulrich, 2013:5).

#### **SKEPTICISM ABOUT ETHICS**

Economists in the twentieth century have often been skeptical about inquiries about value quite generally. They often have been concerned, first of all, to keep their field free of all normative elements, ethics included, so that it could be a "value-free" science. This concern was associated with views once widely held about the domain of the explanatory and the normative, articulated by many of the representatives of the logical positivist movement early in the last century. And economists have often been skeptical of ethics specifically. (MORRIS, 2009:41) Moral skepticism, it is worth remarking, can take many forms. As we noted, economists in the twentieth century have been prone to believe that value



judgments, or at least ethical ones, cannot be evaluated in the way in which factual judgments can be. As a consequence, many have concluded that economics must be value-free or ethics-free if it is to be a science. (MORRIS,2009:42)

Ethics versus economics, or ethics and economics?

There has been much debate as to what exactly determines the behaviour of a firm. The answer, as one might expect, differs according to viewpoint. Standard economic theory answers: profits. Business management answers: keeping shareholders happy. Marketing experts answer: increasing market shares. Business organisation theorists answer: increasing market power. Social scientists answer: customs and institutions. The list could be extended easily. As always, there is an element of truth in each answer, and they are not necessarily incompatible. For our purpose, if we concentrate on the primary motivations of environmental decision making in business, we may ask whether economics is the sole motivation, or whether ethics play, or should play, some role. Whatever the answer, we must remember that all firms operate within a specific, though changing, institutional, legal, political and social context, and this context impacts on their behaviour. By corporate governance is meant, therefore, the determinants of how the firm reacts to, or makes use of, its specific context for achieving its own goals. (Schilizzi,2000:12)

#### **ETHICS DEFINED:**

There are many ways to define what is meant by ethics. One working definition is: Ethics is the study of one's proper interactions with others: it is the analysis of right and wrong (Wight,2015:35),

#### **IS THE NATURE OF THE ETHICAL ARGUMENTS?**

Normative ethics can be described as an attempt to determine "principles" that can be used to articulate and justify ethical views, assumptions, and commitments within a broader framework of a meta-ethical theory. Normative issues usually respond to the question "how things should or ought to be?" Whereas, meta-ethical questions are of higher-order, normative issues are considered to be first-order – or substantive – questions.

Applied ethics is the branch of ethical theory that investigates ethical issues in private and public life with an applied manner. Applied ethics aspires to solve world problems in the principles of Normative Ethics. Some examples are bioethics, business-ethics, environmental ethics and global ethics. (Astroulakis,2013:112)

#### **UTILITARIANISM AND THE INTERPERSONAL COMPARISON OF UTILITY:**

According to Sen, the requirements of the evaluation of utilitarianism can be divided into three components. The first being "consequentialism," where it is argued that all choices (actions, rules, hypotheses, etc.) should be evaluated according to their results - meaning their outcomes- which they manifest. The second component of utilitarianism is "welfarism," which limits the evaluation of labor in each case to the outcome of benefits (without directly taking into account the use of rights, fulfillment of duties, or the breach of both, etc.). It becomes clear that when welfarism merges with consequentialism, each option needs to be evaluated separately according to the benefits they produce. The third component is the "highest total," and in order to calculate to total benefit which people have obtained, one needs to add all of them together without taking individual distribution into consideration (which means that total benefit should be maximized by disregarding the extent of inequality in the sharing of these benefits). All three of these components together give us the classical utilitarianist formula, in which each component is evaluated according to the total benefits produced by that individual component . (LEVENT,2013:129)

#### **BUSINESS ETHICS:**

In his own words, existence rationality is defined as "the process by which a society devises a conscious strategy for obtaining its goals, given its ability to process information and the constraints weighing upon it" (Goulet, 1975: 188).

Business ethics is considered as a part of the general ethics and according to De George (1995) can be defined as "a movement within business or the movement to explicitly build ethics into the structures of corporations in the form of ethics codes, ethics officers, ethics committees and ethics training".

It is widely acceptable today, that business ethics affect, both, producers and customers, the two key cornerstones that are included in the definition of business itself according to Ghosh (2011) that defines business as "an interaction between producers and consumers.

Consequently, one could conclude that in that way, the consumer is not only consuming a certain commodity alone, but at the same time, all the symbolic values and attributes that the brand incorporates as a systematic whole, in order to take a decision. This is



the point where ethical behavior gets involved (Panigyraki, 2013:9)

rationality is considered to be the system of meanings (customs, norms, beliefs, social attributes etc.) within the economic, social and political structure that exists in any society and determines the course of action undertaken to serve societal aims. More specifically, the system of meanings refers to how societies evaluate, employ and apply particular strategies in order to assist as universal goals of development. (Astroulakis, 2013:105)

The "rational" concept is the use of intelligence that stems from logic, which rules the world of senses and the conditional orders. It is the name of the "calculated" movement, and it is the instrumentalist intelligence. The "reasonable" concept includes the perception of intelligence as an objective in and of itself, and not as a tool. In a sense, it is the quintessential "reasonable" one. (LEVENT, 2013:131)

"The Social Responsibility of Business is to Increase its Profits" mentioned Friedman in 1970, who believed that a businessman should not worry about reducing poverty or pollution, but should only be interested in maximizing the profits of the company as a whole, Hooker (2003). Contrary to Friedman's position is John Elkington (1995) who in his book: "Cannibals with Forks: The Triple Bottom Line of 21st Century Business" emphasized that modern corporations should not only pay attention on the economic but also on the environmental and social value, concluding that "the three pillars" that the organizations should be focused on are nothing else than: people, planet, profit (Stormer, 2003).

During the last twenty years terms such as: corporate governance, corporate social responsibility, and theories such as: the triple bottom line have received increasing attention, but no one can contribute to long run business sustainability without "acting ethically". These terms seem intertwined and inseparable (Svensson, 2009).

Nonetheless, in most of the existing literature Corporate Social Responsibility and Corporate Ethics are being studied in association with the decision making process of the organization alone, ignoring the possible relationship between a company's applied ethics and eventual consumer responses presenting an interesting research gap.

Following the call of Brunk "The consumer side is still in need of in depth exploration" (Panigyraki, 2013:21)

#### **Economic Ethics: Preliminaries**

The basic problem of economic ethics is this: Under conditions of competition, individuals cannot comply with moral norms in case this leads to higher costs

which in turn leave them worse off than their competitors. Situations like this systematically lead to an erosion of compliance to moral norms. Via evolution, individuals behaving 'morally' will be singled out. (Luetge, 2005:4)

In effect, from the nineteen-eighties the traditional models linking economics and ethics were still being developed in Europe. There was doubtlessly a major presence of utilitarianism in its different versions, analytical Marxism, taking methodological individualism as its basis (Elster, Cohen, Ovejero); economic liberalism, taking the approach marked by Hayek and sometimes extending to a 'democratic capitalism' like the one put forward by M. Novak (Schwartz, Rubio de Urquía, Rodríguez Braun); the iusnaturalism of ethics as successfully developed as that of Peter Koslowski; or the proposals based on the social doctrine of the Catholic Church, as is the case with Utz or García Echevarría. All these proposals continued to be of great influence in Europe. From the nineteen-eighties, however, new models of economic ethics, actin as a basis for different schools of thought, began to come forward. I intend to refer to some of these models, taking the emblematic authors of each of these as a reference. I shall start by looking at the 'radical liberalism' of Van Parijs. (Cortina, 2008:17)

#### **Rational Behavior**

The concept of rationality is the preeminent concept of the neo-Walrasian

theory of the neoclassical economics theory which established its dominance after the 1950's. This concept, considered the "hard core" of economics, is not often questioned because it constitutes the most fundamental hypothesis of the discipline. Interestingly, whereas the basic objections to rationality are expected from heterodox schools, paradoxically, the objections come from within the orthodox neoclassical theory. Yet, these objections do not question the central position of the concept in the theory which confines itself to a very limited definition, but rather they consist of extending, enriching, and opening this concept to modern arguments. Those who would like to introduce a new proposition or concept to the field of economics must face this concept because of rationality's holding a central position in the discipline. For this reason, rationality is another important subject Sen has discussed in the interaction of ethics and economics. In his book "Rational Fools: A Critique of the Behavioral Foundation Theory," he sees "the purely economic man as a social moron" while also speaking about the impossibility of such a man (LEVENTa, 2013:127)



#### **METHODOLOGY:**

This paper is based on abstract, in-depth and explicit theoretical concepts as we have processed and reviewed previous research studies. A representative sample of articles from fields and studies was identified. The keywords "economics" "ethics" and "economics and ethics" are used to ensure the appropriateness of the topic. The research databases selected for this study were scopus, Elsevier, springer link . . . No time period was specified for the search because this research sought to include all articles available up to 2022.

#### **CALCULATION OF SCALE SCORES:**

The process of collecting primary data was carried out based on the five-dimensional Likert scale in order to estimate the answers of individuals in the sample, for its ease and suitability for most social research, and it was given a strongly disagree value starting from one and not from zero, and therefore it can be said: We have four points ART (4-5), (3-4), (2-3), (1-2), and therefore the value of each period is (5/4) and equal to (0.8) and the answer values become as follows:

- Strongly disagree, starting with 1 and ending with less than 1.80 are considered too low.
- Not Agree It starts with 1.80 and ends with less than 2.60 and is considered low.
- Neutral starts with 2.60 and ends with less than 3.40 and is considered average.
- OK It starts with 3.40 and ends with less than 4.20 and is considered high.
- Strongly agree, starting with 4.20 and ending with 5 is considered too high.

Primary data: It will be collected through a questionnaire that studies the relationship between economics and ethics

Secondary Sources: The research depends on the collection and analysis of data contained in foreign scientific books and references related to the topic, and on periodicals, scientific articles and previous refereed scientific theses related to the research, in addition to research and reading on various internet sites.

#### **FINDING:**

1. it is very hard to conceive of science as an enterprise free of all values.
2. integrative economic ethics asks for a new ethical foundation for economic reason itself.
3. economics cannot deny its roots in moral philosophy.

4. Economics methods are means of explaining and predicting human behavior.
5. Science progresses better when practitioners adhere to basic ethical norms of truthseeking and honesty.
6. Economists can understand and predict outcomes more effectively when they consider the role of ethical beliefs and commitments.

#### **RECOMMENDATIONS:**

1. Working on understanding human behavior in economic dealings
2. Linking ethics to economics
3. Achieving self-interest while not neglecting ethics
4. Educating university students about moral economics and carrying out case studies

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