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The Sense and Limits of the Economic Method in Business Ethics

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I. Introduction

Niklas Luhmann has repeatedly drawn attention to the fact that in times of drastic social change the call to morality and ethics regularly rings out. Perhaps no one will dispute that we currently find ourselves in such a situation: this was already apparent in the 1980s, and in 1989 these developments assumed a world-historical dimension. Since “the economy” plays a part in all developments⁠¹, the call for a business ethics becomes plausible from the point of view of social theory.

This call for morality and ethics in the economy is being answered in Ingolstadt with emphatic reference to economics. The only professorial chair until now in “Business and Corporate Ethics” at a German university recommends for the solution of the normative problems of the economy and of society as a whole the method of economics in Gary S. Becker’s sense and a theory of morality grounded in microeconomics.

At first glance this answer seems to contradict every intuitive understanding of “morality” and “ethics”. Only if the problem of the appropriate theory formation is brought into view can it be rendered theoretically plausible. Neither phenomenological “findings” nor an understanding restricted to one’s life-world issue in a theory. Scientific theory formation often rather flies in the face of everyday understanding. For this reason, it has to be forthcoming with regards to its criteria, the problem that it has set itself, its fundamental concepts, its methodology and its sense and limits. I have chosen this theme because it is here that an essential cause for the many misunderstandings of my theory seems to me to lie. Before everything else, one ought

to take into account the limits of the method of economics as well as the other means
of demarcating a limit in my theory: the limit is drawn neither in line with a “domain”
— such as that of the “economy” — nor in line with particular themes — such as “al-
truism” vs. “egoism”, “extrinsic” vs. “intrinsic”, — but rather by means of a specific
problem statement that is then to be rigorously set out.\footnote{For a detailed account, see Andreas Suchanek, \textit{Ökonomischer Ansatz und theoretische Integration} (Tübingen: Mohr Siebeck, 1994).}

I wish to develop my argument in seven sections. I shall begin with the prob-
lem of the grounding of ethics (II), point out the significance of dilemma structures for
the problem of grounding morality (III), in order then to (IV) infer the use of homo
oeconomicus from the central role played by dilemmas in interactions. The charac-
terisation of the method of economics (V) and the determination of its sense (VI) and
limits (VII) in business ethics will then follow. I shall close the discussion with reflec-
tions on the role and place of normativity in the positive science of economics.

\section*{II. Grounding Ethics in Reason vs. Grounding Ethics in Advantage}

Ethics can be characterised as the doctrine of morally correct action. This
classical understanding of ethics is normative. The authors of the tradition knew in
general precisely which action was “good” and which was “bad” or “evil”. This con-
duct was something to be instilled: traditional ethics was, in terms of its paradigm, a
virtue ethics.

In the course of the differentiation of social systems by function and the corre-
responding form of reflection in the individual positive sciences and in the wake of
the loss in modernity of value consensus, there came about an increase in the complexi-
ty of social relations, which traditional ethics could no longer take in its compass.
Since Kant philosophy has reacted to this state of affairs with an emphasis on the
question of the \textit{grounding} of moral norms and rules that are universal by claim and
tendency. In sharp contrast to the distillation of morality from feeling and the calcula-
tion of one’s advantage, Kant — and the modern ethical tradition that binds itself to
him — derives the principles and rules of morality from “Reason”. Exertions in the
name of an “ultimate foundation” in discourse ethics and constructivist ethics, which
have both found their mirror image also in business ethics,\footnote{Peter Ulrich’s works stand in the tradition of discourse ethics, whereas the works of H. Steinmann
and his collaborators stand in the tradition of constructivist ethics.} stand in this tradition.\footnote{Utilitarianism is for the moment not in question: despite its pervasiveness, especially in the Anglo-
Saxon tradition, it contains a series of unsolved immanent problems. In section VIII I shall return
to the decisive reason why utilitarian, particularly rule-utilitarian thinking is inadequate for the question
that is being pursued here.}
My exposition of an economic grounding of moral rules claims to be able to ground, within the frame of an elaborated modern theory of contract, even the rules of the classical Kantian tradition in individuals' calculations of advantage and disadvantage and to make such an economic grounding its declared programme of research.

If one refrains from questions of detail, the first important objection to this programme reads that it lacks the “moral point of view”\(^5\), namely that peculiarity and autonomy of moral judging which is irreducible to economic calculations. The justification of this criticism follows either Kantian lines — from the perspective of transcendental philosophy a sharp distinction is to be drawn between the unconditional character of moral duty and the conditioned rules of expediency of an economically grounded morality — or phenomenological lines — according to which introspection and the observation of others in the course of moral conduct always show up as an excess in relation to all thought of advantage, regardless of how comprehensive, following Becker, one conceives thinking in terms of advantage. The two arguments are often brought together by carrying categories from transcendental philosophy or pragmatism over into empirical psychology, although of course this is methodologically inadmissible.\(^6\) By and large this excess — which is said to be fundamentally inaccessible to the economic reconstruction of morality unless one wants to fall prey to tautological arguments — remains very indeterminate, hence a residual for which one does not have much more than the name “genuine morality” or something similar.

In a second important objection the economic reconstruction/grounding of morality is criticised for destroying, in the terms of the mechanism of a self-fulfilling prophesy, individuals’ genuinely moral motivations for actions — a thought that in the final view furnishes already for Kant the basis for his sharp conceptual separation of what is proper and what is prudent. It is always the same concern that preoccupies Kant and modern critics: as soon as calculation enters into moral matters, it cannot be held at a remove from individual acts; the unconditional character of duty is lost and consequently that dependability of reciprocal behavioural expectations which is indispensable for every social order is undermined.

A modern economic theory of morality developed in terms of a theory of contract has solved this problem. It enforces a distinction that Kant, to be sure, acknowledged but whose significance he underestimated. It distinguishes sharply between


actions and rules, or between constitutive and operative levels, and it relates — analogous to rule utilitarianism — the economic grounding of morality to the rules alone and not to the actions. Actions are strictly subordinated to rules so that the dependability of reciprocal behavioural expectations, which is at issue also for Kant, remains assured in this conception. Whereas Kant wants to secure this dependability through the moral compulsion of individuals, an economic theory of morality recommends that the rules be fashioned in such a way that individuals possess incentives for dependably complying with them.\(^7\) In this way it is able to contemplate a notion that Kant, as much as the broad circles in contemporary philosophical ethics that testify to his influence, cannot contemplate: the idea of moral rules as \textit{contingently binding}. In relation to actions the rules are binding, enforcing themselves on the strength of a compatibility of incentives; in relation to alternative rules they are however contingent and in need of legitimation. After the end of efforts to ground morality in metaphysics and/or natural law, the grounding of morality in Reason is the last attempt to render invisible the contingency of these rules so that morality might be considered binding (with respect to action sc.). By contrast, the two-tiered reconstruction of action — actions and conditions of action, moves and rules of a game — and the notion of the contingently binding force of rules attain a degree of differentiation that is scarcely to be encountered in other theories. With regard to the problems of the modern world, especially in times of upheaval with their characteristic changes in rules, the so-called grounding of morality in Reason remains by contrast insufficiently complex.

\section*{III. Dilemma Structures and the Grounding of Morality}

What has been set out thus far can also be put in the following way: the experience of morally acting agents that norms are given in advance and that these norms confront them with a claim to absoluteness cannot be taken as a model for the grounding of these rules/norms. In ethical discourse \textit{the grounding of action and the grounding of rules are to be sharply differentiated}.\(^8\)

\(^7\) However, in the text “To Perpetual Peace” from 1795, 2\textsuperscript{nd} edition 1796, the famous passage is to be found in which Kant claims that “the problem of organizing a nation is solvable even for a people comprised of devils (if only they possess understanding”; Kant, “To Perpetual Peace: A Philosophical Sketch” in \textit{Perpetual Peace and Other Essays}, trans. Ted Humphrey (Indianapolis: Hackett, 1983), p. 124 (Ak. VIII, p. 366). It is noteworthy that such a statement causes ethicists great difficulties. Cf. Höffe, \textit{Den Staat braucht selbst ein Volk von Teufeln: Philosophische Versuche zur Rechts- und Staatsethik} (Stuttgart: Reclam, 1988).

\(^8\) This holds also for economic discourse, if in a different way. In ethical discourse the grounding of rules in advantage is distinguished from the moral grounding of actions; in economic discourse it is a matter in both cases of a grounding in advantage, however a grounding in collective advantage in the case of rules and an grounding in individual advantage in the case of actions (established systems of sanctions are of course being taken into account here).
If one focuses here on the *grounding of rules*, in principle the two strategies of “grounding”, the grounding in Reason and the grounding in advantage, can again be distinguished. As Thomas Petersen\(^9\) has recently again shown, the criticism in classical German philosophy (Kant and Hegel) of the classical theory of contract centres on the thought that this theory of contract takes, and is able to take, into consideration only particular interests, when in society and the state it is a matter of “universal” or “rational” interests. The consequence is at once apparent: the contingency of the system of rules is thereby rendered invisible, even if, with Hegel especially, certain contingencies are again supplementarily introduced.\(^{10}\) In order to bring this contingency of rule systems out into the open and thereby to find theoretical access to calculations of advantage, I take up anew the strategy of an economic grounding of morality; in section V I return to the question concerning particular versus universal interests.

In my view the *contingency* of all rule systems, which after the end of attempts to ground morality metaphysically and/or in natural law is scarcely an object of serious dispute, lies *systematically* grounded in *dilemma structures*. For this reason, dilemma structures play in my theory an altogether fundamental role. This has yet to be acknowledged by philosophical ethics and contemporary business ethics\(^{11}\) just as it has been notably passed over in criticisms of my position. The prisoner’s dilemma, for example, illustrates that no individual — no individual, no business, no union, no state, etc. — can alone bring about the universally desired and therefore morally necessary result. As the principle “ultra posse nemo obligatur” then raises its voice, endangering the authority of morality altogether, this authority of moral rules henceforth depends on the presupposition already delineated by Hobbes, “that a man be willing, when others are so too”.\(^{12}\) The normative authority of a rule depends on its (sufficient) implementation; it is *the implementation that first works through to establishing the authority of the norm*.

If it is correct to say that moral rules are to be developed from the underlying dilemma structures of interactions, this signifies the end of the traditional cognitivism of ethics, including the grounding of morality in Reason undertaken by and since Kant. In business ethics it is no longer an issue of the *supplementary* enforcement through the justice system and through social policy of that which has been previously recognised as ethically right. What is at stake is rather the question whether a rule system desired by all sides can be *institutionally stabilised to such a degree that its authority can be normatively asserted*. From a systematic point of view, the involved

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\(^{11}\) Recently, however, there has increasingly been a trend in a different direction; cf. especially, David Gauthier, *Morals by Agreement* (Oxford: Oxford University Press, 1987).

parties themselves assert the authority of the norms to which they want to be and are subject in their actions, and they do this because and insofar as they all draw advantage from it, irrespective of what the individual may understand by “advantages”. To be sure, when a concrete act is being carried out, moral rules are largely experienced as restrictions, but it is precisely these restrictions which constitute the condition of possibility for greater individual freedom, since through establishing the reliability of reciprocal behavioural expectations they noticeably expand individuals’ possibilities for action when compared with a fictive “state of nature”. By means of agreement on restrictions on action, other, higher-valued possibilities for action are opened up: collective development of individual freedom is the gist of the programme of a non-metaphysical economic grounding of morality.13

In terms of a theory of legitimation, morality is dependent on the involved parties’ consent to the rules — “collective self-submission“ —, and the individuals give this consent on the basis of individual calculations of advantage and disadvantage, albeit on two systematically connected conditions: (1) on the condition of a strictly universal capacity for consent, i.e. the advantageousness for all others as well, and (2) on the presupposition that their universal compliance can be (sufficiently) safeguarded — in short: on the condition of the compatibility of incentives for everyone.

In distinction to many other adjectival ethics whose concern is the “application” of general ethics to various “domains”, which is by no means simply trivial,14 “business ethics” is concerned with grounding in the strict sense, because in a non-metaphysical ethics it is the institutional, i.e. incentive-compatible, implementation that first asserts the authority of the created norms.

By means of such a theory, due regard is paid to the traditional notion of the binding character of moral rules for action as well as to the Enlightenment notion of the contingency of all rule systems. Contingency in the end lies grounded in the dilemma structures. Historical, cultural, group-specific contingencies of moral systems can then be comprehended as endemic, resulting from the fact that in various situations and/or populations different rule systems were able to achieve institutional stability.

IV. Dilemma Structures and Homo Oeconomicus

It is in this context that a revision of the function and significance of homo oeconomicus is to be undertaken. Here it may be considered uncontentious that the homo oeconomicus cannot be understood normatively, as an ideal, that he belongs rather — in the first instance, see below — exclusively in the context of positive research. By and large the way in which the central question is formulated concerns whether the homo oeconomicus is “realistic” or not; within the framework of an epigonal Popperian methodology it goes by the title “realism of assumptions”. — Here the claim to give an answer to the question regarding the function and significance of homo oeconomicus, an answer not found in the existing literature, is advanced.\(^\text{15}\)

With respect to the positive use of the homo oeconomicus, there is a group of authors who, invoking phenomenological observations informed in the final view by the life-world, reject the behavioural assumptions of the homo oeconomicus as too “niggardly”, as “curtailed”, as “reductionist”. Even when prominent social scientists such as Albert O. Hirschman, Amartya Sen, Jon Elster and Amitai Etzioni proceed in this way,\(^\text{16}\) there is little elaboration of any kind, let alone theoretical. The imputed “excess” of moral action in relation to economic calculation remains ultimately an empty residual to which the label “morality” (or the equivalent) is affixed.

The professional, empirical research, on which Gebhard Kirchgässner has written the authoritative monograph\(^\text{17}\), is unsatisfactory insofar as it has not brought forth unified results. This has led to regular calls for further and more precise research, as though one could thereby count on finding out at some point how human beings are “really” constituted, whether Man is a homo oeconomicus or not.

On this point Milton Friedman’s thesis\(^\text{18}\) still holds its place, namely that for significant and successful economic research there is no need at all of such an optimally “realistic” complex of assumptions. The homo oeconomicus serves him as a construct, as an inference ticket for the drawing out of hypotheses, and it is only these derived hypotheses which then have to be tested empirically. What is unsatisfactory in this position is that, apart from referring to the success of his research programme, Friedman names no further reasons for his use of the homo oeconomicus.

— instead of the homo sociologicus, co-operativus or the like. To this extent his procedure remains ad hoc, arbitrary.

Here the thesis is put forward that homo oeconomicus represents a problem-oriented construct for the purposes of positive theory-formation — this is a point of contact with Friedman —, but for whose selection not only the fruitfulness for a research programme, but also a particular kind of a “closeness to reality on the part of the assumptions” is decisive, whereby fundamental concepts of Popper’s methodology are given their due. However, the “closeness to reality” does not refer to the (socio-) psychological make-up of “homo”, of “Man”, rather it refers to the “situation” in which human beings act and the incentives for action that issue from this “situation”. To this extent the designation “homo” is misleading, and even when Oliver E. Williamson sharpens it to “opportunism”, as the supposedly realistic behavioural assumption, a methodological self-misunderstanding is, in my view, involved.

What is fundamentally new in relation to the literature is to be seen in my interpretation’s systematic interrelation with dilemma structures.

Dilemma structures are everywhere in the world, especially when one does not presuppose as “given” (1) the constitution of property rights and their observance and (2) the allocation of the profits of co-operation, but on the contrary takes them up as themes for economic research. Every successful interaction presupposes the overcoming of a (latent) dilemma structure. All “charters” — state constitutions, corporate charters, morality, written agreements — are to this extent to be regarded as the results of interactions and thus as the surmounting of dilemma structures. Their sense consists in rendering possible the surmounting of dilemma structures on new levels, inasmuch as they restrict agents’ possibilities for action and bring about the reliability of reciprocal behavioural expectations. The competition that is artificially installed in the social order = social co-operation of a market economy likewise presents nothing other than a purposefully established dilemma supervised by an anti-trusts commission on one side of the market.

Dilemma structures are sustained (1) by everyone’s having a prospect of a share in the profits of co-operation, in case the stabilisation, i.e. the incentive-compatible implementation, of the social order succeeds, and (2) by mutual (profits of co-operation) and conflicting (distribution of the profits of co-operation) interests at the same time. Competition can be admitted here so that we obtain multiply interlocking dilemmas. Phenomenologically ascertained dilemmas are as a consequence normatively ambivalent: desirable in the artificial competition of the market economy, undesirable in public capital, whether the latter be understood in terms of the social order, morality or a clean environment.

The dilemma structure is characterised by a fundamental asymmetry. The collaboration of all agents without exception is required to overcome the dilemma; in this respect, a single defector is enough to bring about the collapse of the interaction, because he or she can compel everyone else to a preventative counter-defection. In terms of model theory, even one potential defector suffices to set in motion the process of reciprocal preventative defection. Technically this means: in the prisoner’s dilemma defection is the dominant strategy.

The question can now be answered concerning to what it should be attributed that economics so successfully works with the construct of the homo oeconomicus: it is the dilemma situations inherent in all social action, all interactions that, on the basis of the asymmetry noted above, set in motion — even in a population with numerous “altruists” — the mechanism of preventative defection, thereby determining the long-term, overall result.21

Since Adam Smith, economics has been implicitly tailored to the dilemma structures inherent in all interactions. For this reason, homo oeconomicus is the appropriate construct for drawing out the results of these interactions: he determines the result even if empirically he does not even “exist”!

The “realism” of homo oeconomicus lies thus not in the realism of the assumptions concerning the (socio-) psychological make-up of human beings, but rather in the “situations”, i.e. in the dilemma situations, and in the incentives for action that arise from them. Homo oeconomicus is therefore not a part of a theory of behaviour, but rather the core of a theory of situation. Here the methodology turns its back on an epigonal understanding of Popper and returns to the genuine Popper, to his early “logic of situation” and his 1967 conception of rationality.22 At the same time the unbelievable robustness of the concept of homo oeconomicus is declared, especially if one works reflectively with the notion of “situation” and takes into account that this “situation” — again according to Popper — does not constitute a factum brutum, but rather is an observed, theoretically interpreted “situation”, and that it can be reconfigured through altered observation/interpretation and through politics.

According to a modern methodology, already in part explicit in Popper and today characterised as “constructivist”, all theory formation is determined not by an ontology of object domains and likewise not by a phenomenology of the life-world, but

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21 To be sure, there are group-specific moralities that can be drawn out as counterbalances in an evolutionarily stable strategy. But with reflections of this kind it is a matter of asking rather about the genesis of morality as co-operation existing only in small groups than about the long-term stability of morality in society as a whole (“social order”). It is also a matter of the genesis and development of such morality in time frames that are wholly irrelevant for the problem of the social order. But the underlying conception in such analyses is the same as here: morality continues to exist only when it proves advantageous for the parties involved; cf. the supplementary paper by Peter Weise, “Ökonomik und Ethik” in Detlef Auferheide and Martin Dabrowski (eds.), Wirtschaftsethik und Moralökonomik (Berlin: Duncker and Humblot, 1997), pp. 59-69.

22 Cf. the data and interpretation of references in Suchanek, Ökonomischer Ansatz und theoretische Integration (Tübingen: Mohr Siebeck, 1994).
rather by problem structures. For this reason, the reference to the “fact” that human beings have not only economic motives but also a far richer spectrum of motives is not a counter-argument to the fundamental application of the homo oeconomicus in economics, but simply a triviality without theoretical relevance.23

Critics of my position in business ethics frequently assert that the homo oeconomicus is completely incapable of producing morality, moral rules. 24 I have never claimed that morality is brought into existence by the homo oeconomicus. It is “human beings”, possessing precisely that rich spectrum of motives with which I am supposedly rebutted, who give life to morality. The homo oeconomicus only comes into play with the question whether and under what conditions agents are able to put into long-term practice these — altruistic, collaborative, etc. — motives in the normal running of a society of human beings with both mutual and conflicting interests. Analysis with the help of the construct of the homo oeconomicus answers this question of social theory: only when institutional arrangements can be laid out that are resistant to the homo oeconomicus, are they in the position to play the desired role. Just as one only allows on the road cars that have been given their roadworthy certificates, the economist can recommend only such rules and institutions that have passed the — theoretical — homo-oeconomicus test. Otherwise he precisely to the moral agents the exploitation at the hands of the less moral agents, and the former will not long put up with a state of affairs that leads to the decline of morality in society.

After these remarks on the function of the homo oeconomicus in positive economics, a further significance of this construct for normative discourse can also be shown. If it is correct that in principle every individual, on the basis of the asymmetry of universal dilemma structures, can destroy social co-operation and/or block the realisation of additional profits from co-operation, then it is a commandment of prudence (!) to induce every individual, through the concession of elementary property rights, to be prepared to do his or her part in social co-operation.25 In this way an economic grounding of elementary social norms can be developed, individually: of fundamental rights, of human rights, intra-socially: of a social safety net for everyone, and inter-socially: of an integration of poor countries in the world community by

23 This, of course, does not imply a disregard of empirical “data”; it simply draws attention to the fact that “data” presents themselves to us as “data” that have been interpreted theoretically through and through, at least in an everyday sense. For this reason, one must engage with alternative theoretical interpretations. We come up against “reality” only as “interpreted reality”, never as factum brutum with its own demonstrative evidence. In Kant’s terms, this is to say: the “thing in itself” is unknowable.
means of development aid or the like. “Equality”, which Hobbes deems necessary for the social contract and which he seeks through long passages in *Leviathan* to render plausible without being able to do so in a convincing empirical manner, thereby undergoes a new interpretation: human beings are fundamentally “equal” in their basic capacity to block or to destroy possible profits from co-operation for everyone else. As rational agents, however, they will do so only if they themselves have nothing to lose as a result: thus the concession of elementary rights can dissuade them from this and hence constitutes a prudential maxim for everyone else. Because the prosperity and liberty of modern societies primarily result from the controlled dealings with dilemma structures, they are thus vulnerable to the blockading activities of individuals and/or small groups. Even a philosopher like Otfried Höffe (1988) can today find something in this thought of an economically plausible account of human rights.

V. On the Method of Economics

Today individual sciences are not defined by means of an object domain such as “the economy” but by means of their method. The method, for its part, is determined by the underlying structure of the problems with which it is engaged. This problem structure in economics is determined by the simultaneously mutual and conflicting interests of the interaction partners and the resulting incentive structures, thus by the expounded asymmetry in the structures of interaction. With this as a background I come to the following provisional definition of the method of economics, of economics as a science:

Economics concerns itself with the explanation and shaping of results of interactions in dilemma structures.

I shall go through the elements and profile them in relation to alternative accounts.

1. “Explanation and shaping” adheres to the classical account of economics. More precisely, according to the latter, it should even be put as “explanation for the purpose of shaping”. Of course, it is legitimate to proceed piecemeal and to concern oneself with the “explanation” as being of prior rank. But even here it becomes clear that all explanation, as it proceeds and must proceed highly selectively, requires a selection criterion that cannot flatly and positivistically be equated with any putative “facticity”; in the classical account of economics the aim of shaping results furnishes this selection criterion.

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Hence the positive analysis must take as its starting point that all agents actually conduct themselves in a “rational” manner, that under given conditions they seek to extract the best for themselves: a strictly positivistic understanding of rationality lies at the basis of the method.27 The overall result, the status quo, has to be set, methodologically, as the aggregate result of individual rational behaviour in interactions, a result that, if it is normatively undesirable, has to be reconstructed as a “social trap”. Such things as “egotism”, “weakness of character” and “lust for profit” as well as “decay of values” are just as little to be admitted by way of “explanation” as “irrationality” of behaviour. If the “explanation” does not satisfy, the economist has to seek for previously overlooked costs and uses.28

2. Economics explains and shapes the results of interactions, more pointedly: the aggregate results of interactions.

Consequently, Robinson has in principle no “economic” problems: such make their first appearance with the arrival of Friday. Wherever the Robinson model serves dominantly and systematically as the paradigm for economics — e.g. in the theory of allocation in welfare economics — one has defined the fundamental problems, which are always social problems, out and away from economics. In the theory of allocation in welfare economics what is at issue paradigmatically is the efficient use of resources; other things being equal, questions are put concerning justice, the distribution of wealth including the initial distribution of property and its alteration as well as questions concerning social safeguards, or else these questions are assigned to an “ethics” — not seldom labelled as “irrational” because it lessens efficiency — in seclusion from the question of allocation, although every economics student knows about the interdependence of allocation and distribution and the reciprocity of the apportionment of rights to A and the withdrawal of those rights from B.

In this respect, the social dimension of interactions is placed here in the foreground: what is at issue are results that always stem from interactions, results that are thus never brought about by an individual agent. The dominant instrument of analysis is the theory of institutions, which is focussed precisely on the social dimension of interactions and not on the dimension of resources.29 The results whose explanation and shaping are at stake present themselves in numerous relevant cases as the unintended results of intentional acts. Typically, such things as the rates of inflation, criminality and divorce are involved, and here what is important is not so

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27 “Given” conditions are consistently taken as the point of orientation. From this it follows that the purely positive, general understanding of rationality is not touched by the question: “sufficient or insufficient information?” Concerning the methodology, see Michael Schramm, “Ist Gary S. Beckers ‘ökonomischer Ansatz’ ein Taschenspielertrick?” in Hans G. Nutzinger (ed.), Wirtschaftsethische Perspektiven III: Unternehmensethik, Verteilungsprobleme, methodische Ansätze, pp. 231-58.


29 The “games contrary to nature” in polypolistic markets are likewise systematically involved with interactions; it is simply a matter of understanding technically if the processes can be modelled as “parametric” adaptations and as “games contrary to nature”.
much the level of such rates as their variation in dependence on variations in the conditions and restrictions of action.\footnote{The so-called voter paradox is thereby shown to be a misconceived problem statement: what is involved are fluctuations in voter turnout rather than the level or the individual decision. The model with a micro-economic foundation yields only the heuristic frame for an explanation of rates of fluctuation. In itself it does not comprise any empirical claim with respect to the individual’s behaviour against which one could then argue empirically. To put it in the language of Reinhard Zintl, “Der Homo oeconomicus: Ausnahmeerscheinung in jeder Situation oder Jedermann in Ausnahmesituationen?” in Analyse & Kritik 11 (1989), pp. 52-69, it is a question not of a micro-theory, but of a macro-theory with a micro-foundation.}

As the ethically significant results can never be introduced by an individual agent on his or her own, appeals grounded in virtue ethics fundamentally fall short of their goal. The results are determined by the rules and by the incentives issuing from them. For this reason, business ethics is to be conceived, paradigmatically, as an ethics of conditions, of order or of incentive.

Theoretically, moral rules and norms are to be assessed as restrictions of individual action and not as the preferences or meta-preferences of individuals:\footnote{Cf. the meta-preference account in Amartya Sen, “Rational Fools: A Critique of the Behavioral Foundations of Economic Theory” in Philosophy and Public Affairs 6 (1977), pp. 317-44.} inter-subjectively binding rules — if that does not amount to a pleonasm — are not “genuinely” desired by an individual agent; in terms of the theory whose model is the individual’s perspective, they are to be grasped as means on which everyone concerned, for the purpose of realising the profits of co-operation, could agree. The essence of Kant’s and especially Hegel’s sharp distinction between “particular” and “universal” interests — and the objection derived therefrom to the classical theory of contract, that it namely acknowledges only the former — consists in the insight that it is with these rules and norms in relation to “individual preference” a matter of an “aliud”. On this point Buchanan and Vanberg speak of “constitutional interests”, and J. Rawls’s “overlapping consensus” is conceived explicitly not as an average of individual world-views but rather as something qualitatively different, as a zone of agreement of universal rules.\footnote{Cf. Viktor Vanberg and James M. Buchanan, “Rational Choice and Moral Order” in Analyse & Kritik 10 (1988), pp. 138-60; John Rawls, Political Liberalism (New York: Columbia University Press, 1993), pp. 39f. and 133ff. — The reference to Rawls constitutes only an analogy, since he does not speak about interest but rather about world-views, “comprehensive doctrines”, including moral ideas; but even here the notion that social rules are a kind of intersection is rejected.}

What is thus in question for the method of economics is neither individual nor social psychology, nor the genetic, biological, psychological, characterological composition of “Man” or individual human beings. To be sure, a micro-economic decision model is employed for deriving results from interactions, but in a standardised form, i.e. in relation to specific problems, namely dilemma structures. Following Reinhard Zintl (1989), it is a question not of a micro-theory, but of a micro-based macro-theory whereby this macro-theory — according to each respective problem — can already begin with results from interactions between two people.
Above all, economics in principle does not ask what “Man” then actually is: this question is in economics just as senseless as in every other individual science because it would revoke the highly selective character of the research of the positive individual sciences, i.e. the strict relation to the respective problem that characterises theory formation in all the individual sciences.

3. When economics makes recommendations with regard to shaping results, these have to be oriented by the wishes of those concerned. Only here, in the desires of the concerned parties, can normativity have its origin. Suggestions for reform are to be examined on the basis of their capacity for universal assent, i.e. their Pareto optimality, whereby this test refers to the rules for action sequences of the same type, thus to institutions, and not to individual results of actions. The criterion of Pareto optimality is, as in James M. Buchanan, analogously applied to rules, to model outcomes and not to “social states” as is usually the case in the textbooks of (welfare) economics. Of course, the individual in a consensus model makes his or her assent dependent on his or her own assessment of the results, on the model outcomes. He therefore “chooses” rules, not “social states” — the latter is wholly inadequate, as Buchanan shows.33 Furthermore, it is to be observed that in principle the possibility exists of paying compensation; in Limits of Liberty compensation can even be necessary prior to the completion of the social contract.34

In order to avoid comparisons with paradise, the status quo always forms the starting point for reflections, and this starting point has a prima facie legitimacy.35 The point of comparison is the relevant rule alternatives. Such comparisons form the domain of modern economics and of its advice to politicians. Only Pareto-optimal rule enhancements can be discussed — thus all demands for “redistribution”, for example, no matter how normatively justified they may appear to be, do not figure on the level of the method of economics, since the equivalent for those who prima facie have to surrender something, i.e. their “incentives”, is not taken into consideration.36

4. With regard to the significance of dilemma structures it should once more be pointed out that whenever the initial constitution of property rights and questions of the social order in general, such as the distribution of the profits of co-operation, fall under the scrutiny of economic analysis, we come up against the dilemma structures inherent in all action. The reason for this lies in the circumstance that each individual can gain additional advantages over others by means of an infraction against the social order and that every distribution of the profits of co-operation presents anew a

dilemma structure. *Without exception all interactions reveal dilemma structures.* It is clear that all important economists have implicitly registered this whenever they have employed — implicitly or explicitly — the construct of the homo oeconomicus. The research of behavioural science can have nothing to say here because it busies itself with other problems. That, of course, does not mean that the psychology of perception, for example, and the insights into the finite capacity for processing data should have no significance for economics: economics is concerned with “situations”, i.e. with perceived and processed “situations”. Yet this only justifies an instrumental application of psychological findings within the frame of a strictly economic account; attempts to turn psychology, on the basis of such reflections, into the theoretical foundation of economics remain, in my view, theoretically sterile — sc. for the problem statement of economics.

VI. The Sense of the Economic Method in Business Ethics

Ethics as the doctrine of right action is concerned with duty, obligation, values and the like. For good reasons we have been socialised in these categories: it was and is the goal to bring people up with an education in appropriate moral “dispositions” in accordance with which they then also act when incentives present themselves to them. The philosophical theory of morality, in particular the theory of the grounding of morality, ought to specify and strengthen these dispositions.

In my theory the whole of business ethics is reformulated in terms of the strict methodology of economics — contrary to the self-conception of moral agents, contrary to the account of “participating spectators” and contrary to the phenomenological observations of both. Ethics is translated — into calculations of advantage and disadvantage and into “incentives” so that an ethics of incentive comes to the fore. The morality of incentives counts as the form of morality adequate to the modern world. Apart from the fact that this appears highly counter-intuitive, to all intents and purposes even “violent”, this procedure also seems inevitably to set in motion the mechanism of the self-fulfilling prophesy. Or is it perhaps in any case to be classified as blatant economic “reductionism”, which testifies to a “materialistic”, even cynical image of humanity?

I put forward the counter-argument that shows that this way of proceeding is at least not naïve, but rather and precisely reflective.

At the outset I formulate the *thesis*: only the method of economics, in its focus on the surmounted (social order) and established (competition) dilemma structures, is able to assess the social prospects of an implementation of morality, and since in a non-metaphysical account all morality ultimately consists in the surmounting of di-
lemma structures, the assertion of the validity of desired norms depends solely on whether or not these norms are (sufficiently) implementable: only the method of economics is in the position to assess implementability.

In the history of the world there has never yet been for any length of time a system of norms that was not supported by advantages and sanctions, thus through incentives.\footnote{Cf. Detlef Aufderheide, Unternehmer, Ethos und Ökonomik: Moral und unternehmerischer Gewinn aus der Sicht der Neuen Institutionenökonomik (Berlin: Duncker & Humblot, 1995). Aufderheide's account of the so-called transparency of rules is altogether based on this presupposition. “Morality”, in distinction to law, involves only informal sanctions, so that in the market, besides the likewise informal sanction potential for defectors, the effects in particular on one's reputation (p. 237) could cause the agents to make their contribution to the morality of the collective good of the club in the form of rule compliance during cases of conflict (p. 228). The functional efficiency of this mechanism can be improved through administrative measures such as public institutes for ensuring standards and labelling regulations for products. I can only support these reflections.} If it is thus not a matter of giving individuals advice with respect to right action — under given conditions sc. — but if rather what is at issue are the prospects of a universal moral practice, the prospects of implementation, the incentive compatibility of norms, have to be assessed. From this it follows that whoever departs too soon from strictly economic discourse and relies on the assistance of ethical categories — perhaps in order to do justice to either the moral self-conception of the agents or expectations with regard to “ethics” —, he or she throws away precisely those insights for whose sake the method of economics was brought in at all. Methodological economics has to be applied consistently in business ethics.

This is not to say that it is a question here of cynicism or economic “reductionism”. Whoever makes such a criticism, merely demonstrates that he or she does not put the underlying constructivist methodology to account with the rigorous and highly selective problem-dependence of all theory formation.\footnote{Cf. Andreas Suchanek, op. cit.} Ultimately it is a matter of making the enormous productive capacity of the positive science of economics fruitful for those problems which, within the life-world, we class as “normative” or “moral” problems. Here it need only be recalled that this reaches deep into the problems of a grounding of ethics in the light of universal dilemma structures (cf. above section III). In order to render perspicuous the necessity of a translation of ethics into economics — and, in other contexts, of economics into ethics —, I have spoken in an earlier publication of the requirement of a “parallel discourse”.

The discussions in the Journal of Economic Perspectives from 1993 and 1996\footnote{Cf. Robert H. Frank, Thomas Gilovich and Dennis T. Regan, “Does Studying Economics Inhibit Cooperation?” in Journal of Economic Perspectives 7 (1993), pp. 159-71; Anthony M. Yezer, Robert S. Goldfarb and Paul Poppen, “Does Studying Economics Discourage Cooperation? Watch What We Do, Not What We Say or How We Play” in Journal of Economic Perspectives 10 (1996), pp. 177-86; Robert H. Frank, Thomas Gilovich and Dennis T. Regan,} again raised the question whether working with the method of economics, especially with the prisoner’s dilemma among students, does not set in motion the mechanism of a self-fulfilling prophesy and weaken the moral dispositions of these people. To begin with, I shall answer with a frontal attack: that was also the very ar-
argument that the Catholic Church used against Galileo and his physics. In formulating his theory he proceeded in just such a counter-intuitive and “violent” manner as the economist with the homo oeconomicus: no one has yet seen apples and leaves fall in autumn at the same speed. Kant solves the problem in the Critique of Pure Reason (1781) by sharply distinguishing between two discourses, between the positive discourse of the individual sciences and the normative discourse of metaphysics. Hence he was able to come to the conclusion that the Ideas of God, freedom and immortality are no affair of the discourse of physics, but that in another discourse they might well be of the highest importance. In business ethics my approach is the same: analogously to Kant, the concepts of “duty”, “values”, “obligation” are no affair of the method of economics. Economics — like physics — represents a significant achievement of the human spirit. One has only to know to which problem structures economics is tailored and to which it is not. In fact we have to learn to comprehend the problem-defined selectivity of all scientific theory formation and not to convert theory formation, one to one, into the “phenomenology” of life-world practice. We can only hope that this insight into the role of economics, on which our society’s capacity for progress is dependent, will not need so long for its dissemination as the Catholic Church needed for the rehabilitation of Galileo — or for the acknowledgement of Darwin’s theory of evolution, which was offered only at the end of October 1996.

Working in business ethics with dilemma models does not entail a self-fulfilling prophesy. Rather, it clarifies for us the problem structures relevant to all interactions and the way in which we negotiate them. Only thus do we learn to think the notion of “contingently binding norms” that is fundamental for the developmental capacity of modern society, instead of falling back into arbitrariness or fundamentalism. By contrast, the various versions of a grounding of morality in Reason pay no attention to the extremely important support lent to morality by incentives and advance through this naïvety — entirely contrary to their intention — the erosion of morality in society.

VII. The Limits of the Economic Method in Business Ethics

Within the frame of the methodology that forms the basis here, a “domain” of possible objects, such as “the economy”, cannot determine a limit to the economic method in business ethics. In distinction to commerce and business administration, modern “economics” is fundamentally “imperialistic” with respect to possible objects. In relation to (business) ethics the limit can also not be determined through specific, differentiated “motives” such as “self-interest” vs. “altruism”, “extrinsic” vs. “intrinsic”.

40 They have to be translated into economic concepts, as Peter Weise in his “Ökonomik und Ethik” (1997) has likewise stressed.
motivation.41 Even the “intrinsic” motivation is translated into the calculation of advantage/disadvantage.

Economics, however, is not imperialistic with regard to the statement of the problem: an individual science strictly tailored to specific problem structures comes up against its limit in the legitimacy of other problem statements. This will be illustrated in what follows.

Questions concerning the ultimate building blocks of matter lie just as much outside economics as the analysis of genetic structures or the question concerning the origin of the universe: this is self-evident.

Similarly outside economics lie all questions concerned with the individual as such, to put it in Luhmann’s terminology, with the “psychical system”. Economics is fundamentally not a micro-theory, whether one interprets this behaviourally, psychologically (in all the variants), anthropologically or intellectually in terms of world-views. Whoever wants to explain or predict the behaviour of a certain individual in a particular case would be generally well advised to ask not the economist, but rather the psychologist, the educator, the friends of this individual; even biography and world-view provide important clarifications. The reason for this lies in the fact that those quantities which the economist sets as variables and which in the form of “incentives” he or she calls in as explanantia for fluctuations in “rates”, such as the rate of inflation, of birth, of venality, have to be set as “givens” of this question. The behaviour of an individual at the present moment, in the particular case and in comparison with other individuals under the same “given” conditions, is to be put down to personal characteristics in the broadest sense. The decisions of individual judges on specific questions are better derived from their “ideology” than from economic incentives. The efficiency of the judicial system in general will have to be explained rather by means of the incentives of the judges in general.

That which was termed “ideology” in relation to judges has undergone significant rationalisations in the tradition: philosophy, theology and world-views that reach via the processes of socialisation and scientific training deep into character structures, play here an important role. The goal of these exertions consists in the individual’s being led in his or her decisions by “reasons” instead of by “causes”. What is at issue are factors that individuals themselves control in their actions, and the universal conditions of action in which the economist is interested are, other things being equal, already in place, by and large at least. The various, in part highly developed internal logic of philosophy and legal dogmatics, of literature, art and music, of mathematics and language among others can scarcely be reconstructed profitably in eco-
nomics. Questions such as whether the lyric poetry of Paul Celan is concerned solely with a specific “sound” or how Goethe’s understanding of language in the “West-Östliches Diwan” might be precisely analysed are certainly beyond the scope of the method of economics.

After these remarks on fundamentals, a few limit cases may be indicated. It must first be mentioned that there are transitional cases. Individual consultation with a manager in a concrete case of corporate ethics may bring out that the individual manager is unable, on his or her own, to solve satisfactorily the problem in the given setting of conditions (e.g. competition) and that for this reason he or she has to intervene a step earlier, at the change in the conditions of action via the union and/or politics, where then the economic method is again in demand.

Secondly, biological theories of evolution and socio-biology make use in modified form of economic calculation, and with great success. Here, in distinction to the previously mentioned problem structures, it is a matter of the development not of individuals, but rather of populations under conditions of scarcity, i.e. of competition. This is what renders economic calculation applicable, even if living beings such as one-cell organisms or the lower animals do not develop a “state” or institutions. That there may exist fluid transitions among the higher animals does not amount to a contradiction.

The third case concerns the significance of the human being’s physiological-psychical and/or cognitive constitution. Physiological perception and the capacity for processing sense-data can have an important impact on the behaviour of human beings in interactions. To be sure, corresponding insights from other sciences are to be taken into consideration, albeit in a rigorous research account that is fundamentally economic and in which these insights must then be submitted to the relevant restrictions. Insights from other sciences are applied in accordance with the “method of diminishing abstraction”, but within the frame of an economic problem outline.

The method of economics is fundamentally inadequate for the explanation of singular decisions. Even the so-called tragic decisions must be counted among them. (Yet if the question arises whether, for instance, the selection process of the French army ought to be established as a universal rule, economics steps in with the question whether such a rule can be ratified on the basis of individual calculations.) The method of economics also hardly appears to be adequate for all-or-nothing decisions.

In conclusion, the limit of economics remains to be shown up from the other side as it were. In economics it is always a question of a micro-founded macro-

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theory, and not of a macro-theory drawn from macro-theoretical reflections in the shape, for instance, of a structural theory of modern society. Here lies the limit of sociological system theory, once we disregard the collectivistic, organicist social theories that may be held to be superseded. One ought not to lump systems theory precipitately together with them and/or discard it on account of the missing microfoundation and the consequent “functionalism”. In the end Karl Popper himself emphasised the autonomy of sociology, even if his students have not followed suit, and an economist such as Becker, who holds a chair in economics and sociology, believes that sociology at least poses the more interesting questions.44

But precisely here the problem arises: sociological systems theory, in the tradition of Durkheim and Parsons, has other problems. Luhmann, for example, focuses on the structural differences between traditional and modern, functionally articulated societies and is able to lay on the table an extremely fertile set of research outcomes, which recent economics does not come close to offering, even as much of it would be of interest for the latter discipline. The methodologically reflected interdisciplinarity between economics and sociological systems theory is in its infancy; the prospects appear to be good after decades in which the two research programmes were rather profiled against each other.45

Let me summarise: in a methodology that proceeds from the high level of selectivity in the positive sciences, “limits” to the method of economics can be marked out only through recourse to other legitimate problem statements. This necessitates reflection on the systematic composition of the part rationalities — in Luhmann’s terminology: second-order observation. Numerous differing hypotheses that are conceived as “competing” in an epigonously understood falsificationist methodology — and in judgement on which “reality” is summoned in the course of further research as arbiter — unmask themselves in a constructivist methodology as hypotheses within the framework of different questions, which then of course must be precisely reflected and explicated. Many differing hypotheses are therefore more complementary than otherwise. There can only be “falsifications” within the same formulation of the question: the negation “non-A” of the assertion “A” presupposes the same question. Other question formulations are legitimate, they increase the complexity with which we are able to deal. Thus a consistently maintained economic method in business ethics has not the slightest to do with “reductionism”, because all problem perspectives are fundamentally dependent on such methodological simplifications.46

46 We owe to Kant’s philosophy the result that the positive sciences of theology and philosophy cannot in principle contradict one another, because they pose fundamentally different questions. The ensuing problem, namely as to what meaning highly selective positive sciences (can) have for the questions and problems argued in totality-semantics, forms the core of the modern problem of interdisciplinarity. This is something that “business ethics” addresses; cf. the following section VIII.
VIII. Normativity and the Positive Science of Economics

A strictly economic reconstruction of moral norms has been developed above from the reasons presented. Does traditionally understood normativity play a role at all in the positive science of economics? In the end, it cannot be denied that agents let themselves be guided in their life-world by their moral self-understanding and that normative sciences, such as theological and philosophical ethics, but also legal dogmatics and legal philosophy have developed a high standard of normative rationality. Is this for the enlightened business ethicist and his or her economic method all just “false consciousness”?

I leave to one side here the non-theoretical eclecticism that weaves together a colourful quilt from positive and normative components: in spite of a wide distribution and invocations of “interdisciplinarity” it does not warrant theoretical consideration. There remain over then, in my view, two legitimate forms of applying normativity in economics, a derivative and a genuine form.47

The derivative application is unproblematic in principle. Normativity — norms, obligation, duty, values, etc. — has here, according to the thesis, the status of an abridged version of extended economic reflections calculated with respect to typical situations. Normative concepts and conclusions can be applied so long as the norms, values, moral principles are accepted unproblematically. Certainly there are problems of application such as subsumption, correct appraisal, but paradigmatically these are secondary. From the perspective of economics, even philosophical and theological ethics as well as legal dogmatics and legal philosophy belong here.

But when these normative rules become problematic, i.e. are no longer acknowledged and/or followed as rules by a noteworthy number of the parties concerned, when even recourse to higher normative rules no longer helps, they have to be translated into the unabridged version of economic calculations of advantage and disadvantage and newly spelt out (“parallel discourse”). This is (1) the case when there is widespread non-compliance: here only the economic discussion of rules in terms of incentives can evaluate the prospects of a general compliance; the purely normative discourse is of no help here, Luhmann rightly castigates it as “appealitis”. This is (2) the case when norms, on the basis of altered relations of scarcity, have to be changed. This is (3) then the case when we have to proceed, as in Rawls48, from a “rational value pluralism” in modern society. What ensues is that increasingly only

the advantages and disadvantages of the concerned parties, irrespective of what they themselves view as advantages and disadvantages, can still count as a comprehensive, universal criterion of judgement. And (4) under conditions of transaction-specific investments and systematically incomplete contracts, it can be economically advantageous not to drain every single situation economically, but rather to behave “fairly” and “justly”. Bruno S. Frey’s “intrinsic motivation” and Kirchgässner’s “low-cost situations” are to be included in this case just as much as the so-called problems with controlling the residuals of sociology, etc.

The application of normativity is unproblematic in this derivative form so long as one knows about its methodological status and is able to recognise when one must switch to economic discourse. But the question remains: is normativity “in the end” for the enlightened business ethicist, notwithstanding its character as a useful abbreviation, nothing more than “false consciousness”?

I hereby come to the second, the genuine form of applying normativity in positive economics. I propose the thesis at the outset: normative ideas, ideals, principles function heuristically for the choice of the paradigm of positive economics; however, the work in and with this paradigm remains strictly positive economics.

The problems that we are accustomed in our everyday dealings to view as “normative” are not equally well understood and treated in every paradigm of positive economics. With a guiding question as my starting point, I shall compare two paradigms.

The paradigm of the theory of allocation of welfare economics proceeds from the fundamental question: what allocation leads to the efficient use of resources? I am speaking here of the position held by resource economics. This guiding question has two consequences. (1) Since multi-faceted “market failure” is at issue, the conception leads to an interventionist blurring of the distinction between the level of rules and the level of actions, between the constitutional and the operative plane; (2) the normative questions such as distribution and “social justice” are withdrawn from economic discourse and assigned to a separate normative science (ethics) as though it could generate an answer to these questions. Human beings with their claims, for example, to social policy appear simply as disturbances of the “efficiency” of the allocation: if they are so irrational as to want more “social justice”, they have to pay for it precisely with losses in efficiency and site disadvantages; or a trade-off between

“freedom” and “justice” is devised\textsuperscript{52} that does not permit “freedom” and “social justice” to be seen in a complementary relationship.

The rival paradigm that is presently being developed proceeds from a quite different fundamental question: according to which rules do human beings with their always simultaneously mutual and conflicting interests want to deal with one another? I am speaking here of the interaction economic position. This guiding question illustrates much better those problems which stand at the centre of the problem of the social order and which are usually characterised as “normative”: the constitution of reciprocal norms and duties, questions of distribution, problems of justice, etc. At the same time emphasis is laid in the fundamental question on the two-tiered character of the conception — rules of the game/moves of the game — and the simultaneity of “allocation” and “distribution”.

Now to repeat the thesis: the choice between these two paradigms of economics is at least co-determined by normative guiding ideas; the work within these paradigms is and remains positive economics. It follows from this that one does not acknowledge even in interaction economics its normative sense because no normative contents appear in it. From this it nonetheless also follows that the lack of normative content in no way signifies the normative “neutrality” of the paradigms.

Two remarks are to be added to the profile of this way of treating normativity in positive economics.

For one thing, the delimitation of utilitarianism, particularly rule utilitarianism, can now be undertaken. Whereas utilitarianism is always concerned with maximising the (average) use (of rules) and its reflections come near to the position of resource economics, interaction economics puts the subjects of the evaluation of use to a certain extent out of the picture and enquires regarding the rules by which these subjects live together. In interaction economics, subjects possess a use-function, but they are not use-functions, they are rather beings with “dignity”, to put it philosophically.\textsuperscript{53}

For another, the relationship between ethics and striving for advantage can now be specified. For many business ethicists and economists, something like a “breaking through”\textsuperscript{54} of the economic calculations of advantage/disadvantage be-


\textsuperscript{53} The Kantian echo is intentional. From “Foundations of the Metaphysics of Morals” (1785-86) onwards, Kant always stresses that the subjects that posit ends must be strictly differentiated from ends as ends in themselves; see Kant, “Foundations of the Metaphysics of Morals” in Critique of Practical Reason and Other Writings in Moral Philosophy, trans. Lewis White Beck (Chicago: University of Chicago Press, 1949), p. 94f. (Ak. IV, pp. 437f.)

longs constitutively to ethics; morality and ethics must “hurt”, it is said. In my view, what is involved in such an account is a completely inappropriate theoretical strategy. By contrast I employ a strategy that is even in the position to accommodate the intuitive thoughts of these authors concerning the necessity of “altruism” and “renunciation”. Again it is the prisoner’s dilemma that renders the structure clear.

Methodologically, the starting point is always the status quo, which, if it counts as unsatisfactory, is interpreted as a social trap. Norms such as moral rules have their justification in an overcoming of the Pareto-inferior condition of the individual agent. But there are two forms of individual improvement: the defective and the Pareto-optimal improvement. “Morality” forbids solely the defective improvement of the individual — and at the same time it demands the Pareto-optimal improvement. Far removed from the prohibition of the striving for individual improvement and instead of demanding in its place “altruism” or “renunciation”, precisely this striving for improvement represents the essence of all morality. Solely the defective improvement of the individual is prohibited. Unrestricted striving for advantage forms the core of all morality — including the Christian commandment to love one’s neighbour.55

This implies: morality unreservedly demands a kind of “renunciation”, but it demands renunciation solely of the defective striving for advantage, whereby this “renunciation” concerns the rule of defective striving for advantage, which then has to be rendered, say, through sanctions, incentive-compatible. The individual can also assent to such a kind of “renunciation” when the same renunciation on the basis of altered incentive structures is likewise practised by everyone else, for the simply defective striving after improvement is in any case unstable — i.e., it cannot become general practice —, it has sooner or later to lead back into the social trap of the status quo via general defection. “Morality” demands then that human beings not deviate in the individual decision from the Pareto-optimal, collectively ratified rule, and this is (should be) secured by means of the incentive compatibility of the shaping of this rule.

In summary: genuine normativity plays a significant role in positive economics insofar as it determines the latter’s paradigm. Normative ideas of the tradition thus determine the question formulation, fundamental concepts and design of positive economics, but not its content. “Values”, “duty” and “obligation” have no place in positive economics, yet they or the problems thereby indicated determine the entire paradigm of this positive research.

IX. Concluding Remark

55 The defective striving for improvement, i.e. competition, is instrumentally built into this concern with Pareto-optimal improvement through morality in precisely defined contexts. But this truth lies on another level, and theoretically it does not present any problems. This is why in my business ethics competition, in comparison with distribution, is said to entail cooperation to a greater degree.
People frequently reply to unclarified problem situations in the processes of modernisation with the call to morality and ethics: this thesis of Luhmann’s shows the great socio-political significance of the question whether the part rationalities of the social and intellectual structures of the modern world can be set in a fruitful relation with the traditional totality semantics of morality. The normatively saturated, reflective culture of philosophy, literature and art and the purportedly “value-free” culture of those who as scientists, jurists and economists are to determine factically the future of the world stand facing one another in our society, without mediation and understanding and in increasing antagonism. If the integration (as distinct from vitiation) of the two cultures does not succeed, society may forfeit for a long time its capacity for progress.\textsuperscript{56}

In this problematic state of affairs a business ethics that follows the conception developed above may be of assistance. But this requires no less than a reform of traditional ethics and a surmounting of the position of resource economics. Viewed in this light, business ethics evolves into a normative theory of society: it has set itself a lot to do.

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