

# ETHICS OF ECONOMICS

By Edwin Rodrigues

## INTRODUCTION

“The truth is, we are all caught in a great economic system which is heartless.”

- Woodrow Wilson<sup>1</sup>

The nature, scope and spectrum of modern economics are confronted with substantial changes and unprecedented challenges. Its activities are no more confined to mere production of goods to satisfy essential human wants. Rather its tentacles are intriguingly reaching out to all spheres of human existence.<sup>2</sup> The most affected ‘victims’ of such an untrammelled economy are those people who have no say in its development and direction.

There’s a great economic boom experienced all over India today. India of 21<sup>st</sup> century is seen as an emerging global economic power. There’s a so-called “feel-good factor” and India is said to be shining. But is India really shining? With the unprecedented economic feel-good factor, even bigger “feel-bad factor” is experienced by the majority of people. The disparity between haves and have-nots is reaching a phenomenal height. The increasing and growing disparities within and between countries have become shockingly wide. While a mere handful of people and just a few countries are obscenely rich, the millions of common people groan under poverty. “Landless, Joyless, Helpless, Hopeless, Gasping still for bread and breath: To their graves, by troubles haunted, India’s helots toil till death.”<sup>3</sup> These words of Gokhale depicting the condition of Indians before the independence apply to the majority of rural masses in India even today. Along with people, the entire nature is moaning under the irresistible plundering of modern economic advancement.

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<sup>1</sup> George Seldes ed., *The Great Quotations* (New York: Lyle Stuart Inc., 1968), 303.

<sup>2</sup> “A Word of Welcome,” *Ethics of Economics: Philosophy Symposium* (Chennai: Dept. of Philosophy, Sacred Heart Seminary, 2004), 4.

<sup>3</sup> Qtd. in Victor Louis Anthuvan, “Poverty – A Deepening Crisis at the Dawn of 21<sup>st</sup> Century,” *Ethics of Economics: Philosophy Symposium* (Chennai: Dept. of Philosophy, Sacred Heart Seminary, 2004), 36.

A large portion of world's population is being marginalized by today's economic advancement. The plight of women, children, farmers, workers in the informal sector, etc is disheartening. Farmers are committing suicide all over India. The loss of jobs in organized sector due to economic liberalization has been marked as a global trend. Millions of children are forced to labor in hazardous situations. In this world of consumerism and materialism, only money counts. Things are loved and people are used.

On one hand, there has been a consumption boom. There has been a six-fold increase of consumption from 1975. Whereas, on the other hand, it is scandalous that the poor are unable to consume enough to meet even their most basic needs. The paradox of today's global economy is that the prices of the most essential things are reaching the unprecedented heights, whereas luxurious electronic goods are becoming cheaper and cheaper. Globalization and liberalization are bringing about neo-colonization. The land of England has ruled India for a hundred and fifty years. The MNCs (Multi-National Corporations) and TNCs (Trans-National Corporations) of America are prepared to rule it in the same way. The rich developed nations are bullying the poor developing nations. In this situation, if we don't talk about the plight of the poor, we don't have right to exist.

In this glaringly inhuman context, philosophers have the great responsibility to critically analyze the present predicament. Friedrich Nietzsche has rightly said, "The Philosopher has to be the bad conscience of his age."<sup>4</sup> Alarmed by a self propelling economic system, the moral philosophers need to highlight the corroding of ethical dimension of human economic activity and voice against it. At the most profound levels, global economy deeply affects human freedom-both at the personal and social realms. It has created a situation where our power to resist its growth is completely undermined. A style of life has been established which one somehow has to join in or else one simply cannot exist in the society as it has come to be. In short, it compels us to rethink and reformulate the vocation and destiny of human beings.<sup>5</sup>

Why are there such widespread poverty, underdevelopment and disparities? Why is there such an estrangement of economics from ethics? Philosophers need to ask relevant questions and try to find their answers. The colossal vehicle of global

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<sup>4</sup> Seldes, 731.

<sup>5</sup> A Word of Welcome, 4.

economy is going at high speed, unconcerned about the traffic rules and regulations of ethical principles. If these norms are not observed, accidents are unavoidable. Today, more than ever before there is a great need of applying the ethical principles to the global economy.

In this paper, as a student of philosophy, I make an attempt to show the interrelation between ethics and economics. I firmly believe that economics cannot be value-free. It has to follow ethical principles for its smooth functioning. Only money doesn't count, ethics also pays. Honesty and concern for humanity are equally important. I wish to put forward my arguments in the context of today's globalized world and especially in the context of the liberalized India. The topic as such is very vast and by no means exhaustible, so I limit my discussion to the following five areas:

1. Economics and its philosophical significance,
2. Ethics and its relation to economics,
3. The ethical imperatives in economics,
4. Obstacles to achieve the ethical imperatives in today's world, and
5. Practical ways to realize ethical imperatives.

## CHAPTER 1

### ECONOMICS AND ITS PHILOSOPHICAL SIGNIFICANCE

Human beings are meaning-seeking animals. From their search for knowledge and meaning, they developed various sciences to make their lives and the lives of their community members more comfortable and pleasurable. Economics as a science arose from that pursuit. Economics originated as an interrelated discipline with moral philosophy and politics and later on achieved its independent status.

People have thought about economics for as long as they have thought about how to manage their households, indeed Aristotle compared the study of the economic affairs of a city to the study of the management of a household. In that sense, cooking, washing, cleaning, etc. are all economic activities and I can say that women do more economic activities than men, but without being paid. During the two millennia between Aristotle and Adam Smith, one finds reflections concerning economic problems mainly in the context of discussions of moral or policy questions.<sup>6</sup>

Economics is nothing but a person's struggle to satisfy his/her diverse and ever increasing wants with limited or scarce resources. Thus, economics deals with the practical, everyday existential situation of a person. On the other hand, philosophy is considered to be dealing only with abstract, theoretical concepts. But this is a misconception. Josiah Royce in his book *The Spirit of Philosophy* corrects this misunderstanding and shows the practical importance of philosophy in our day-today life.

Philosophy, in the proper sense of the term, is not a presumptuous effort to explain the mysteries of the world by means of any superhuman insight or extraordinary cunning, but has its origin and value in an attempt to give a reasonable account of our own personal attitude toward the more serious business of life. You philosophise when you reflect critically upon what you are actually doing in your world.<sup>7</sup>

#### 1.1 Economics

Economics is a social science concerned with the production, distribution, exchange, and consumption of goods and services. Economists are the people who

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<sup>6</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. "Economics, Philosophy of."

<sup>7</sup> Seldes, 732.

help individuals, groups, business enterprises, and governments to achieve their economic objective efficiently.<sup>8</sup>

In simple terms, economics is a study of the economic problems of a people living in a community. There are innumerable problems, which face us at every step in life. The problems, which are economic in nature generally, exhibit three characteristics.

1. First, these arise from the fact that all of us feel wants. Economic problems are concerned with the satisfaction of these human wants.
2. Second, the economic problems arise from the fact that the things or the resources in human beings, materials or time, which are capable of satisfying our wants, are unfortunately limited.
3. Finally, these scarce resources may be utilized for alternative purposes. The celebrated antithesis, guns or butter, illustrates the alternative use of resources.<sup>9</sup>

### **1.1.1 Etymology**

Economics is derived from the Greek word *oikonomiké* which means household management. Aristotle pointed out that *oikonomiké* deals with the house and also with the *polis*.

### **1.1.2 Major Divisions of Economics<sup>10</sup>**

Standard economics can be divided into two major fields:

1. Microeconomics or Price theory, which explains how the interplay of supply and demand in competitive markets creates a multitude of individual prices, wage rates, profit margins, and rental changes.
2. Macroeconomics, which deals with modern explanations of national income and employment. Macroeconomics dates from the book, *The General Theory of Employment, Interest, and Money* (1935), by the British economist John Maynard Keynes.

### **1.1.3 Definitions**

1. According to Sen and Das, “Economics studies the part played by money in human affairs.”<sup>11</sup> Money has gained tremendous importance in the modern

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<sup>8</sup> *Encarta Encyclopedia*, CD-ROM, s.v. “Economics.”

<sup>9</sup> Satyendra Sen, and Sisirkumar Das. *An Introduction to Economic Theory* (Calcutta: Bookland Private Limited, 1961), 1.

<sup>10</sup> *Encarta Encyclopedia*, CD-ROM, s.v. “Economics.”

world. It performs all kinds of magic in today's world. It is the centre of person's economic activities.

2. Prof. Pigou defined economics as the study of the impact of scarcity upon human wants and of the manner in which men (or women) attempt to allocate scarce resources for the satisfaction of different wants.<sup>12</sup>
3. Adam Smith, the father of modern economic theory, defined economics as a subject which was concerned with "an enquiry into the nature and causes of the Wealth of Nations."

This definition gave rise to serious misconceptions, especially at the hands of Carlyle, Ruskin, and other literary writers of the 19<sup>th</sup> century. The popular meaning of wealth is riches or an abundance of money. So it was thought that economics was concerned only with the acquisition of riches or money. As such, it was regarded as a "dismal science." But, in Economics, the word "wealth" is used in a special sense. It refers, not to money, but to those scarce goods and services which are used to satisfy the wants of the people. Economics studies the various ways of producing, exchanging and distributing these scarce goods and services in response to the wants of the people. Wealth is a means, not an end.<sup>13</sup>

Many economists like Prof. Robbins have criticized the connection that is sought to be established between economics and welfare. I shall discuss this problem in detail in the next chapter.

4. Prof. Robbins defined economics as "the science which studies human behavior as a relationship between ends and scarce means which has alternative uses."<sup>14</sup>

## 1.2 Philosophical Significance of Economics<sup>15</sup>

Economics has been of philosophical interest in three main regards:

<sup>11</sup> Sen and Das, 2.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid., 3.

<sup>14</sup> *Routledge encyclopedia of Philosophy*, Vol. III, s.v. "Economics, Philosophy of."

<sup>15</sup> Ibid.

1. **Moral questions:** Economics raises moral questions concerning freedom, social welfare and justice. Although economists often deny that their theories have ethical content, they are ready with advice about how to make life better. Markets, which are the central institutions with which economics has traditionally been concerned, involve voluntary interactions, yet they are simultaneously mechanisms that regulate individual activities and allocate goods to people. They thus raise intricate moral questions concerning coercion, voluntary action, and social justice. All of the leading figures in the contemporary social and political philosophy comment on and are influenced by work in economics. I will discuss this in detail in the next chapter.
2. **Rationality:** Contemporary theoretical economics is largely a theory of rational choice. This may seem surprising, since economics is supposed to be an explanatory and predictive science of the actual interactions among people rather than a normative discipline studying how people ought rationally to choose, but it is indeed a fact. This fact joins the interests of economists to the interests of those philosophers concerned with rational choice. Amartya Sen has enlightening views on this topic, which I will put forward in the next chapter.
3. **Questions regarding Philosophy of Science:** Economics raises important questions in philosophy of science. In part this is because all significant cognitive enterprises raise questions for epistemology or philosophy of science. But orthodox theory is of particular methodological interest for seven reasons.
  - a. **Positive and normative:** The extent to which economics appears to be permeated with normative concerns, it raises methodological questions about the relationships between a positive science (of 'what is') and a normative science (of 'what ought to be').
  - b. **Reasons and causes:** Explanation and prediction of the future economic situation is one of the major concerns of economists. The theories of economists offer both causal explanations as to why individuals choose as they do and also give the reasons (teleological explanations) for their choices.
  - c. **Naturalism:** Of all the social sciences, economics most closely resembles the natural sciences. Economic theories have been axiomatized, and essays

and books of economics are full of theorems. Of all the social sciences, only economics boasts a Nobel Prize. Economics is thus a test case for those concerned with the extent of the similarities and differences between the natural and social sciences

- d. **Abstraction and idealization:** Economics raises questions concerning the legitimacy of severe abstraction and idealization. For example, economic models often stipulate that everyone is perfectly rational and has perfect information or that commodities are infinitely divisible. Such claims are exaggerations, and they are clearly false. Can good science make such false claims?
- e. ***Ceteris paribus* clauses:** Because economists attempt to study economic phenomena as constituting a separate domain, influenced only by a small number of causal factors, the claims of economics are true only *ceteris paribus* - that is, they are true only if there are no interferences or disturbing causes.
- f. **Causation:** Many important generalizations in economics make causal claims. For example, the law of demand asserts that an increase in price (*ceteris paribus*) will reduce the demand. Yet economists are wary of causal language because of its suggestion that each outcome has a single cause and because of difficulties in integrating talk of causation and talk of mutual determination. In economics mutual determination takes place; cause influences effect, and effect too influences cause.
- g. **Structure and strategy:** During the past generation philosophers of science have been concerned to comprehend the larger theoretical structures that unify and guide research within particular research traditions or programmes. Since orthodox economics is systematically unified, though not in quite the way that Kuhn (1970) or Lakatos (1970) discuss, it poses interesting puzzles about what guides research.

These are the seven most significant philosophical issues concerning neoclassical economic theory, and concerning all schools of economics.

There are, three important theoretical reasons, why methodological questions concerning economics should be of greater interest in philosophy now. They are:

1. Not only economists but also anthropologists, political scientists, social psychologists, and sociologists influenced by economists have argued that the



“economic approach” is the only legitimate approach to the study of human behavior.

2. During the same period, cognitive psychologists and economists impressed by the work of cognitive psychologists have been subjecting fundamental claims of modern mainstream economics to stringent psychological testing.
3. Finally, there are special reasons why philosophers are becoming more interested in the methodology of economics. Contemporary philosophers have grown skeptical of received “wisdom” in the philosophy of science, and they have become convinced that there is a great deal to be learned about how science *ought* to be done from studying how science *is* actually done. Philosophical attention to economics has been growing, since economics is, a particularly interesting science for a philosopher to study. Moral philosophers, whether attracted or repelled by the tools and perspectives provided by economists, have been forced to come to terms with the achievements and failures of welfare economics.<sup>16</sup>

Economics is not a complete philosophy of society; it does not give a complete account even of that part of human conduct, which it studies. The social relations to which business gives rise are the subject-matter not only of Economics but also of the science of Politics, the study of social action in general, and of Ethics, the study of conduct in general. And Economics is the subordinate study of the three, because the problems of social practice to which its study is directed are seldom purely economic, and when it comes to action the ethical aspect is always, and the political aspect is usually, more important than the economic aspect. The study of the economic element in social and political problems is essential if they are to be solved, but few of them can be decided by purely economic consideration alone.<sup>17</sup> Hence we require economics going along with other social sciences such as ethics and politics. This dissertation is going to concentrate on the relation of economics with ethics.

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<sup>16</sup> Daniel Hausman, ed. *The philosophy of Economics*, 2<sup>nd</sup> ed. (New York: Cambridge UP, 1994), 2-3.

<sup>17</sup> Henry Clay, *Economics for the General Reader* (London: Macmillan and co. limited, 1924), 16.

## CHAPTER 2

### ETHICS AND ITS RELATION TO ECONOMICS

“At this moment, America’s highest economic need is higher ethical standards—standards enforced by strict laws and upheld by responsible business leaders.”<sup>18</sup>

These words come from the mouth of the present President of the USA, George W. Bush. Although the credibility of the person may be questioned, the value of this utterance is unquestionable. Indeed American economy and the economies of all the countries need high ethical principles so that they can be propelled in the proper direction.

#### 2.1 Ethics

In general, ethics asks basic questions about good human values/life. It also analyzes whether there is any objectivity about good/bad. It is concerned about values and guidelines for good human life and it tries to universalize these values and guidelines. Ethics is extremely important because it gives us the foundation for right living.

##### 2.1.1 Etymology<sup>19</sup>

Ethics is derived from the Greek word *ethikos*, which is further derived from *ethos*, which means (1) character, (2) custom, (3) disposition and (4) manner. *Ethike* means the science of character.

English ‘ethos’ means the characteristic spirit, the moral values, ideas/beliefs of a group/community or culture. So we can call Ethics as a system of moral principles or rules of behavior.

Thus, etymologically, ethics is the study of human customs. Some customs are mere conventions, which could be easily changed. But there are some fundamental customs, which are inherent or imbedded in our human nature. These customs cannot be changed easily. These types of stable customs are called morals. E.g. respect for human life, respect for each other, etc. They result not from arbitrary whims but

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<sup>18</sup> Value quotes online, *Value Quotes*, 2 Jan 2005, 12 Manage, 15 Jan. 2005, <http://www.valuequotes.net/index.html>.

<sup>19</sup> Austin Fagothey, *Right and Reason*, 3<sup>rd</sup> ed. (Saint Louis: C.V. Mosby, 1963), 14.

abiding principles in human nature. These customs are obligatory, arising out of human nature, e.g. ‘should be/ought to be done, shouldn’t/ought not to be done.’

### 2.1.2 Definitions

1. According to Fagothey, Ethics is the study of right and wrong in human conduct.<sup>20</sup>
2. Fagothey further defines ethics as the practical normative study of the rightness and wrongness of human conduct as known by natural reason.<sup>21</sup>
3. According to Urban, Ethics is the science that deals with human conduct in so far as it is considered right or wrong, good or bad.<sup>22</sup>
4. According to Sahakian, Ethics is the branch of philosophy which explores and analyzes moral judgments, choices and standards. Including Meta ethics, ethics is the study of the right and the good together with the logical analysis of ethical terms, theories and beliefs.<sup>23</sup>

The material object of Ethics/Moral Philosophy is human conduct and its formal object is rightness/wrongness, goodness/badness.

## 2.2 Interrelation between Ethics and Economics

In the 1930s Lionel Robbins in his influential book *An Essay on the Nature and Significance of Economic Science*, argued that “it does not seem logically possible to associate the two studies [economics and ethics] in any form but mere juxtaposition.”<sup>24</sup> Since economics is a science it must remain neutral between different ends, and must study what is, rather than what ought to be. It must also be capable of yielding *a priori* definite results, containing scientific truths. If economists venture from a study of the disposal of scarce goods, their labor will not yield results which are scientifically true, and capable of exact measurement. A true science seeks

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<sup>20</sup> Ibid., 20.

<sup>21</sup> Ibid., 21.

<sup>22</sup> Wilbur Urban, *Fundamentals of Ethics* (New York: Henry Holt, 1958), 6.

<sup>23</sup> William Sahakian, *Ethics: An Introduction to Theories and Problems* (New York: Harper and Row, 1974), 3.

<sup>24</sup> Qtd. in Amartya Sen. *On Ethics and Economics* (Delhi: Oxford UP, 1990), 2.

truth for its own sake, and studies what is about a subject, not what ought to be.<sup>25</sup> Hence Prof. Robbins calls upon other economists not to forsake the true and scientific path, and not to spend their time on subjects remotely connected with the main theme.

He didn't get much support at that time, but his views are extremely popular in today's world. Amartya Sen sees two inherent contradictions in the value-free economics propagated by Prof. Robbins and other modern economists. They are as follows:<sup>26</sup>

1. Economics is supposed to be concerned with real people. It is hard to believe that real people could be completely unaffected by the reach of the self-examination induced by the Socratic question, 'How should one live?' Can people whom economics studies really be so unaffected by this resilient question and stick exclusively to the rudimentary hard-heartedness attributed to them by modern economics?
2. We witness a contrast between the self-consciously 'non-ethical' character of modern economics and the historical evolution of modern economics largely as an offshoot of ethics. The so-called 'father of modern economics', Adam Smith was a Professor of Moral Philosophy at the University of Glasgow and in fact the subject of economics was for a long time seen as something like a branch of ethics.

Ethics and economics were closely related even before the time of scientific economics. Historians of economic thought are unanimous in pointing out the close connection between Greek economic thought and ethical concepts; and in fact even the dominance of the latter.

Trever speaks of "the contention of the Socratics, that all economic operations must finally root in the moral, that all economic problems are moral problems and that the province of economics is human welfare..."<sup>27</sup> Plato thoroughly and entirely subordinates his economics to ethics and politics. Aristotle carried economic analysis much farther than did his master, but always under the broad aegis of ethics.<sup>28</sup>

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<sup>25</sup> Sen and Das, 5.

<sup>26</sup> Sen, *On Ethics and Economics*, 1-2.

<sup>27</sup> Qtd. in Joseph Flubacher, *The Concept of Ethics in the History of Economics* (New York: Vantage, 1950), 19-24.

<sup>28</sup> *Ibid.*, 21-24.

### 2.2.1 Two Approaches to Economics<sup>29</sup>

According to Amartya Sen, economics has had two different origins, both related to politics, but related in rather different ways, concerned respectively with ‘ethics’, on the one hand, and with ‘engineering’ on the other.

1. **Ethics-based approach to economics:** The ethics-related tradition goes back to Aristotle. At the very beginning of the *Nicomachean Ethics*, Aristotle relates the subject of economics to human ends, referring to its concern with wealth. He sees politics as ‘the master art’. Politics must use ‘the rest of the sciences’, including economics for the fulfillment of its end, i.e. the good of human beings. 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. Economics relates ultimately to the study of ethics and that of politics, and this point of view is further developed in Aristotle’s *Politics*. There is no scope in all this for dissociating the study of economics from that of ethics and political philosophy. Sen gives two reasons to emphasize this connection:
  - a. The ethics-related view of motivation: The problem of human motivation is related to the broadly ethical question ‘How should one live?’ Ethical deliberations cannot be totally inconsequential to actual human behavior.
  - b. The judgment of social achievement: This ethics-related view of social achievement cannot stop the evaluation short at some arbitrary point like satisfying ‘efficiency’. The assessment has to be more fully ethical, and take a broader view of ‘the good’.
2. **Engineering approach to economics:** This approach is characterized by being concerned with primarily logistic issues rather than with ultimate ends and such questions as what may foster ‘the good of man’ or ‘how one should live.’ This ‘engineering’ approach has come from several different directions, including being developed by some actual engineers, such as Leon Walras, a nineteenth century French economist who did much to sort out many hard technical problems in economic relations, especially those connected with the functioning of the markets.

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<sup>29</sup> Sen, *On Ethics and Economics*, 2-7.

The ‘engineering’ approach also connects with those studies of economics which developed from the technique-oriented analyses of statecraft. Kautilya’s *Arthaśāstra*<sup>30</sup>, which was almost certainly the first book ever, written with the title ‘Economics’ is prominent in its logistic approach to statecraft, including economic policy. Kautilya, who wrote it in the fourth century BC, was an advisor and minister of the Mauryan dynasty. The treatise begins in the first chapter with the distinction between ‘four fields of knowledge’ including (1) metaphysics, and (2) knowledge of ‘the right and the wrong,’ but then it settles down to discussing more practical types of knowledge dealing with (3) ‘the science of government,’ and (4) the ‘science of wealth.’

According to Amartya Sen, neither of these approaches is pure in any sense, and it is a question of balance of the two approaches to economics. In fact, many exponents of the ethical approach, from Aristotle to Adam Smith, were deeply concerned with engineering issues as well, within the directional focus of ethical reasoning. But Sen expresses concern over the eschewal of deep normative analysis from the field of economics. Ethics-related view of motivation and of social achievement must find an important place in modern economics, but at the same time it is impossible to deny that the engineering approach has much to offer to economics as well. In fact, in the writings of the great economists both the features are noticeable in varying proportions. The ethical questions are more seriously taken by Adam Smith, John Stuart Mill, Karl Marx, or Francis Edgeworth, than William Petty, Francois Quesnay, David Ricardo, Augustine Cournot, or Leon Walras, who were more concerned with the logistic and engineering problems within economics.

There are some technical concepts such as rationality, Pareto optimality and efficiency, utilitarianism and welfarism, etc. which help us to understand the relationship between ethics and economics. It is necessary to give a brief account of these concepts.

### **2.2.2 Rationality**

The assumption of ‘rational behavior’ plays a major part in modern economics. At the foundation of both positive and normative economics lies a

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<sup>30</sup> See *Arthashastra of Kautilya* by Ganpati T. Sastri (Trivendrum: Govt. Press, 1925).

normative theory of individual rationality. The theory is very thin, because it raises no questions about the rationality of ultimate ends and few questions about the rationality of beliefs.<sup>31</sup> Human beings are assumed to behave rationally, and given the assumption, characterizing rational behavior is not, in this approach ultimately different from describing actual behavior.<sup>32</sup>

There are two predominant methods of defining rationality of behavior in mainline economic theory.<sup>33</sup>

1. Consistency of choice: Rational choice must demand something at least about the correspondence between what one tries to achieve and how one goes about it.
2. Maximization of self-interest: This approach is based on demanding an external correspondence between the choices that a person makes and the self-interest of the person. Whatever the choices he/she makes are for the self-interest.

Amartya Sen goes against both these views of rationality. According to him, “even if the characterization of rational behavior in standard economics were accepted as just right, it might not necessarily make sense to assume that people would *actually* behave in the rational way characterized.” What he wants to say is that all of us are prone to commit mistakes; none of us is totally rational. The concept of the ‘*homo economicus*’ or ‘the economic man’ is an abstract concept and has nothing to do with actual behavior of a person involved in economic activities.

### 2.2.3 Efficiency and Pareto Optimality

Economists have given the common-sense notion of ‘efficiency’ a precise technical meaning; adopt the metric of utility.<sup>34</sup> ‘A social state is described as Pareto optimal if and only if no-one’s utility can be raised without reducing the utility of someone else.’<sup>35</sup> If one is minimally benevolent and favors making people better off,

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<sup>31</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. “Economics and Ethics.”

<sup>32</sup> Sen, *On Ethics and Economics*, 10-11.

<sup>33</sup> *Ibid.*, 12-15.

<sup>34</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. “Economics and Ethics.”

<sup>35</sup> Sen, *On Ethics and Economics*, 31.

then, other things being equal, one should favor prospects that are better for someone and worse for no one.<sup>36</sup>

Amartya Sen considers Pareto optimality as a very limited kind of success and thinks that Pareto optimal state in itself may or may not guarantee much. A state can be Pareto optimal with some people in extreme misery and others rolling in luxury, so long as the miserable cannot be made better off without cutting into the luxury of the rich.<sup>37</sup>

Pareto optimality is sometimes also called ‘economic efficiency.’ That usage is appropriate from one point of view, in that Pareto optimality deals exclusively with efficiency in the space of utilities, paying no attention to the distributional considerations regarding utility. However, in another respect the term is unfortunate, since the whole focus of analysis here continues to be utility, and this is a legacy left by the earlier utilitarian tradition. It is, of course, possible to introduce other considerations in judging the success of persons and thus of the society.<sup>38</sup> Amartya Sen proposes the alternative considerations such as acceptance of freedom, rights and agency.

#### **2.2.4 Utilitarianism and Welfare Economics, and Well-being, Agency and Freedom**

The enormous standing of Pareto optimality in welfare economics relates closely to the hallowed position of utilitarianism in traditional welfare economics.<sup>39</sup> All plausible moral views assign an important place to individual wellbeing. This is most obviously true of utilitarianism, which takes morality as maximizing some function of the welfare of individual members of society.<sup>40</sup>

Utilitarianism as a moral principle can be seen to be a combination of three more elementary requirements<sup>41</sup>:

1. ‘*welfarism*,’ requiring that the goodness of a state of affairs be a function only of the utility information regarding that state;

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<sup>36</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. “Economics and Ethics.”

<sup>37</sup> Sen, *On Ethics and Economics*, 31-32.

<sup>38</sup> *Ibid.*, 32-33.

<sup>39</sup> *Ibid.*, 38.

<sup>40</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. “Economics and Ethics.”

<sup>41</sup> Sen, *On Ethics and Economics*, 39.



2. ‘*sum-ranking*,’ requiring that utility information regarding any state be assessed by looking only at the sum-total of all the utilities in that state;
3. ‘*consequentialism*,’ requiring that every choice, whether of actions, institutions, motivations, rules, etc., be ultimately determined by the goodness of the consequent states of affairs.

Amartya Sen goes against the narrow view of utilitarianism as welfarism, which considers that the only things of intrinsic value for ethical calculation and evaluation of states of affairs are individual utilities. According to Amartya Sen, there are three distinct limitations of the utilitarian conception and so he proposes non-utilitarian views that emphasize notions of well-being, agency and freedom.<sup>42</sup>

1. We have to distinguish between the ‘well-being aspect’ and the ‘agency aspect’ of a person. The former covers the person’s achievements and opportunities in the context of his or her personal advantage, whereas the latter goes further and examines achievements and opportunities in terms of other objectives and values as well, possibly going well beyond the pursuit of one’s own well-being.
2. The utilitarian conception provides a defective view of well-being. While being happy is a momentous achievement, it is not the only achievement that matters to one’s well-being. Also, while desire is often a good indicator of the valuable nature of what is desired, the metric of desire can be a very inadequate reflection of value. This limitation is particularly serious in the context of interpersonal comparisons of well-being.
3. A person’s freedom can be seen as being valuable in addition to his or her achievements. A person’s options and opportunities can be seen as counting in a normative evaluation, in addition to what the person ends up achieving or securing. Freedom may be valued not merely because it assists achievement, but also because of its own importance, going beyond the value of the state of existence actually achieved. I will discuss Amartya Sen’s discussion on development as freedom in the next chapter.

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<sup>42</sup> Ibid., 58-60.

### 2.2.5 The True Scope of Economics<sup>43</sup>

There is a fundamental distinction between the natural sciences and economics. The student of physics or chemistry can study his subject solely with a view to arrive at the truth, leaving the question of the practical application of results to others. But the economist studies his subject not only to know the truth for its own sake, but also to provide a technique for the solution of the great social problems. The study of economics began as a practical subject concerned with the improvement of the material conditions of the people. “When we watch the play of human motives that are ordinary—that are sometimes mean and dismal and ignoble—our impulse is not the philosopher’s impulse, knowledge for the sake of knowledge but rather the physiologist’s impulses—knowledge for the healing that knowledge may help to bring.” Knowledge in economics is chiefly valuable insofar as it is “fruit-bearing” rather than “light-bearing.” Mr. Paul Streeten has rightly said in his article, “Economists cannot, and should not refrain from making value judgments if their studies are to be more than a purely formal technique of reasoning, an algebra of choice.” The technique, the algebra, is important and ought to be as scientific as possible, but it is significant only as means to a study of wealth and welfare and of the ways to improve them.

If we restrict ourselves to this view of value-free economics, the role of an economist will be limited to that of an expert who can predict correctly the consequences that are likely to follow particular lines of actions. He/she cannot judge the desirability of the actions or policies. Thus he/she can contribute very little to the ultimate solution of the particular problems of life. Today more than ever we require economists making policies, which are pro-people when the schizophrenic globalization is marching ahead bulldozing the poor. Economists need to awaken the hidden, inbuilt moral consciousness within them and become the voice of the voiceless and the relief of the oppressed.

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<sup>43</sup> Sen and Das, 6.

## CHAPTER 3

### THE ETHICAL IMPERATIVES IN ECONOMICS

“The mind of the superior man is conversant with righteousness; the mind of the mean man is conversant with gain.” -Confucius, the Analects, book II, Chapter 16.<sup>44</sup>

“Try not to become a man of success but rather try to become a man of value.”  
-Albert Einstein<sup>45</sup>

Great minds of the world have been concerned about morality from the very ancient period till the present day, irrespective of their fields and positions. The religious and spiritual leaders like Confucius to the most brilliant scientist of the 20<sup>th</sup> century, Albert Einstein, tried to look out for the hidden virtue within human beings. In economics, too, several great thinkers have left their footprints by presenting enlightening ethical imperatives.

In this chapter, I make an attempt to discuss a few ethical imperatives in economics. The list of the imperatives given here is by no means exhaustive. It is almost impossible to cover all the ethical imperatives in economics. By choosing the following imperatives, I try to give in brief a somewhat holistic view of the morality present in economics.

#### 3.1 Karl Marx's Classless Society

“The philosophers have only interpreted the world in various ways. The point, however is to change it.”<sup>46</sup>

Karl Marx is best known not as a philosopher but as a revolutionary communist, whose works inspired the foundation of many communist regimes in the twentieth century. It is hard to think of many who have had as much influence in the

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<sup>44</sup> Value quotes online, *Value Quotes*, 2 Jan 2005, 12 Manage, 15 Jan. 2005, <http://www.valuequotes.net/index.html>.

<sup>45</sup> Ibid.

<sup>46</sup> Qtd. in Duncun Halls, *The Legacy of Karl Marx*, 27 Sept. 2002, Socialist Worker Online, 2 Feb. 2005, [http://www.socialistworker.org/2002-2/423/423\\_08\\_HallasOnMarx.shtml](http://www.socialistworker.org/2002-2/423/423_08_HallasOnMarx.shtml).

creation of the modern world. Trained as a philosopher, Marx turned away from philosophy in his mid-twenties, towards economics and politics.

Marx was an uncompromising fighter against every kind of oppression and exploitation; and his whole life was devoted to the cause of the ‘self-emancipation of the working class.’ He was fully concerned about the plight of the proletariat. His ‘historical materialism’ is in fact an interpretation of history from the underside of history, i.e., from the perspective of the marginalized. According to Karl Marx, economics is the basic foundation on which all other superstructures are based. ‘One must eat before one can think,’ Marx stressed. This is his basic idea.

Unlike the classical school (e.g. Adam Smith) that believed in the *harmony* of classes, Marx emphasized the importance of class and class *conflict*.<sup>47</sup> "The history of all human society, past and present, has been the history of class struggle"<sup>48</sup> wrote Karl Marx in the *Communist Manifesto*, and in a capitalist society, he said, class struggle is sharper and simpler than ever a struggle between two classes: the bourgeois, who earn all or most of their income from their ownership of various means of production, and the proletariat, who earn all or most of their income working for a wage. The class struggle is the motor of social change.

Marx exposed the various evils of the capitalist society such as ‘veiled’ exploitation, centralization of economic and political power, commodity fetishism, alienation from work, one’s own products, one’s fellowmen and one’s species, etc. In the *Communist Manifesto*, Marx and Engels appealed to the proletariat for a revolution to overthrow exploitative capitalist regime. “The proletarians have nothing to lose but their chains. They have a world to win.”<sup>49</sup> They concluded the *Manifesto* with a bellowing battle cry, “Workers of the world unite!” This one-liner changed the whole course of history and is still influential in this globalized age of “hire and fire.”

Marx thought that the capitalist society carries within itself the seeds of its own destruction. He mentioned in his *Manifesto*, “The old bourgeois society, with its classes and class conflicts, will be replaced by an association in which the free development of each will lead to the free development of all.”<sup>50</sup>

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<sup>47</sup> P. N. Junankar, *Marx’s Economics* (New Delhi: Heritage, 1983), 10.

<sup>48</sup> Karl Marx and F. Engels, *The Communist manifesto* (Calcutta: Burman, 1944), 17.

<sup>49</sup> Marx and Engels, *The Communist manifesto*, 48.

<sup>50</sup> *Ibid.*, 37.

Marx divided his ideal of communism into halves, a first stage generally referred to as the “dictatorship of the proletariat” and a second stage usually called “full communism” which brings forth the ideal of the classless society.<sup>51</sup> It is important to note that the phrase “dictatorship” meant something very different to Marx and his companions than it does to most of us.<sup>52</sup> Divisions between people on the basis of class are practically non-existent in the first stage of communism, where everyone becomes a worker. In one place, Marx went so far as to claim that with everyone engaged in productive work classes cease to exist.<sup>53</sup>

Marx was not the first philosopher to put forward a youthful, idealistic vision of a classless society, but he certainly was the first to develop the concept that the historic forces of production would lead inevitably to that ideal.

Marx’s classless society is the ideal where working men and women can create a truly free society in which all contribute according to their ability and receive according to their needs—a society free from exploitation, free from oppression, free from racism, from unemployment, from war, from poverty and inequality. This ideal of classless society, which is expressed in the term “Communism” according to Karl Marx “is the genuine resolution of the conflict between man and nature and between man and man.”<sup>54</sup>

Various Marxist thinkers have also left their marks in the analysis of the ethical dimension of economics. Gramsci’s anti-hegemonization and the role of organic intellectuals in the communist party is an enlightening contribution worth noting. Besides, a Jesuit priest Sabastian Kappen analyzed Marxism in terms of liberation theology.

In his speech at Marx’s funeral, Frederick Engels said that although the materialist conception of history and the doctrine of surplus value were Marx’s crowning theoretical discoveries, “Marx was before all else a revolutionist. His real mission in life was to contribute, in one way or another; to the overthrow of capitalist society...Fighting was his element. And he fought with a passion, a tenacity and a

<sup>51</sup> Bertell Ollman, *Marxism: An Uncommon Introduction* (New Delhi: Sterling, 1990), 16-17.

<sup>52</sup> *Ibid.*, 23.

<sup>53</sup> *Ibid.*, 47.

<sup>54</sup> Peter Singer, *Marx: A Very Short Introduction* (Oxford: Oxford UP, 2000), 37.

success that few could rival."<sup>55</sup> Some Marxist economists are busy mathematising Marx, but in the process seem to lose the broad historical 'vision' which was a powerful tool for Marx. Eventually, Marx was interested in making life better for the ordinary working person. In much of traditional (bourgeois) economics, men and women disappear and are replaced by anonymous 'agents' without any history or power. Political scientists playing games with nuclear weapons may 'rationally' lead to the end of life on earth. In all analyses of society we must not forget our 'concern for man.'<sup>56</sup>

### 3.2 Gandhi's Sarvodaya

"Earth provides enough to satisfy every man's need, but not every man's greed."<sup>57</sup>

The Father of the Nation, *Bapuji*, as Gandhiji was called by most Indians, has contributed not only to India's political freedom but laid an impact in molding its socio-political policies. But he was not an economist in the conventional sense. His economic ideas are based on his conception of human being and society.<sup>58</sup> Gandhi's views on economics are very enlightening. The interrelation of ethics and economics is clearly brought out in his view on economics. "True economics" for Gandhi is as follows:

True economics never militates against the highest ethical standard, just as all true ethics to be worth its name must, at the same time, be also good economics. An economics that inculcates Mammon worship, and enables the strong to amass wealth at the expense of the weak, is a false and dismal science. It spells death. True economics, on the other hand, stands for social justice; it promotes the good of all equally including the weakest, and is indispensable for decent life.<sup>59</sup>

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<sup>55</sup> Duncun Halls, *The Legacy of Karl Marx*, 27 Sept. 2002, Socialist Worker Online, 2 Feb. 2005, [http://www.socialistworker.org/2002-2/423/423\\_08\\_HallasOnMarx.shtml](http://www.socialistworker.org/2002-2/423/423_08_HallasOnMarx.shtml).

<sup>56</sup> Junankar, 152.

<sup>57</sup> Value quotes online, *Value Quotes*, 2 Jan 2005, 12 Manage, 15 Jan. 2005, <http://www.valuequotes.net/index.html>.

<sup>58</sup> K. M. Rathnam Chetty, *Sarvodaya and Freedom: A Gandhian Appraisal* (New Delhi: Discovery, 1991), 77.

<sup>59</sup> N. B. Sen, ed., *Wit and Wisdom of Mahatma Gandhi* (New Delhi: New Book Society of India, 1960), 79.

Gandhi does not recognize any compartmentalization of human life. He looks at life as an indivisible whole. He does not make any distinction between ethics and economics. In *Harijan* (9-10-1937) he writes:

I must confess that I do not draw a sharp or any distinction between economics and ethics. Economics that hurt the moral well-being of an individual or a nation are immoral and therefore sinful. Thus the economics that permit one country to prey upon another are immoral. It is sinful to eat American wheat and let my neighbor, the grain dealer, starve for want of custom.<sup>60</sup>

Gandhi declared that he was a 'practical idealist'. According to him, morality has an unconditional character in the form of ethical ideals, which are meant for everybody.<sup>61</sup> Gandhi's expression of ethical economics is best portrayed in his concept of *Sarvodaya* as well as *RamRajya*, but today many misunderstand the latter concept because of its religious connotation.

*Sarvodaya* summarizes in one word the concept of Indian society of his vision in its totality. *Sarvodaya* is a total view of life and human society, comprising of individuals and collective life as much as in social, economic and political affairs as in moral, religious and spiritual.

The immediate inspiration for the *Sarvodaya* ideal came to Gandhi from Ruskin's *Unto This Last*.<sup>62</sup> Apart from it, Gandhi drew his primary strength and inspiration from the *Bhagvad Gita*.<sup>63</sup> Gandhian ideal of *Sarvodaya* comes very close to Tolstoyan anarchism. Tolstoy's *The Kingdom of God is Within You* influenced him. The pure ideal of Gandhi's conception of *Sarvodaya* is an ideal of philosophical anarchism, a stateless society marked by voluntary co-operation, profound faith in God, commiseration from the exploited, inherent aversion to violence, deep-rooted belief in the dignity of man.<sup>64</sup>

The term *Sarvodaya* has got its origin in Sanskrit. This is a combination of two words namely *Sarva* and *Udaya*. *Sarva* means all and *Udaya* means rising. Thus as whole *Sarvodaya* means the rising of all. It also means the welfare of all humanity.

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<sup>60</sup> Ibid.

<sup>61</sup> Chetty, 36.

<sup>62</sup> Ibid.,38.

<sup>63</sup> Ibid., 41.

<sup>64</sup> Ibid., 40.

*Sarvodaya*, the awakening of one and all is the typical Gandhian pattern of philosophy of man. This concept teaches everyone how to lead a life in the best thought, best expression and best emancipation of humanism. *Sarvodaya* is not limited to one person or one group of persons. Nobody is excluded from the concept of welfare. It implies the participation of all kinds of people. *Sarvodaya* stands for the development of all the faculties of physical, mental and spiritual realms of human being.<sup>65</sup>

*Sarvodaya* stands for the good of one and all. It includes every section of humanity, the rich and the poor, the strong and the weak, the black and the white, the men and women, all in all. It aims at the universal welfare and the integrated development of all. According to Gandhiji, “*Sarvodaya* advocates the welfare of all, irrespective of caste, color, race, religion, or region.”<sup>66</sup>

Gandhian *Sarvodaya* economic order is based on simplicity, decentralization, self-sufficiency, co-operation, equality, self-sufficient village units, nationalization of basic industries, *swadeshi*, and the theory of trusteeship. These, in turn will solve the problems pertaining to labor, capital, production, distribution, profit, etc.

By *RamRajya* Gandhiji meant *swaraj*. The *swaraj* of his dream recognized no communal or religious distinction. In such a society “the prince and the peasant, the wealthy and the poor, the employer and the employee, are all on the same level.”<sup>67</sup>

The philosophy of *sarvodaya* is very important even in the 21<sup>st</sup> century as humanity is undergoing a moral crisis and ethical nihilism. *Sarvodaya* appeals to the minds and hearts in terms of values and goals. It is an effective way to solve the problems of unemployment, unequal distribution of wealth, growing competition in public life, etc., which we face under the uncontrollable spell of globalization.

### 3.3 Emmanuel Levinas’s Ethics of Responsibility

“Responsibility, in Levinas’ [sic] eyes, stood as an unconditioned yes, in continuity with righteousness and faithfulness; it is an alliance, a yes to that which cannot be eliminated, blotted out, or erased.”<sup>68</sup>

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<sup>65</sup> Anil Dutta Mishra, *Gandhism After Gandhi* (New Delhi: Mittal, 1999), 55.

<sup>66</sup> Mishra, 38.

<sup>67</sup> Qtd. in Jaydev Jana, “Gandhi and Ram Rajya,” *The Economic and Political Weekly (EPW)* 37, no 18 (2002): 1768.



Jacques Derrida uttered these words on Levinas's funeral. For Levinas, responsibility had unlimited nature. We can rightly call Emmanuel Levinas as 'the philosopher of and for the *other*'. The interventions of Levinas on behalf of the other, from the late 1920s to the 1990s, have transformed the way politics, cultures, societies look upon their 'other.'<sup>69</sup> These others are the wretched of the earth, the poor, marginalized, who stand at the periphery seeking our help.

Levinas broke with the primacy of ontology and chose morality as first philosophy. His views on totalization, alterity and the face of the other are very enlightening. Levinas introduces a system, known as totality, which is the reduction of the other to the same (mere concepts/knowledge). For him, reduction of the individual to the whole is an essential dynamic of western culture, which culminates politically in war and philosophically in Heidegger, whose ontology reduces beings to mere concepts. Levinas says that totality tortures every other into conformity. The face reveals the failure of the totality by presenting to philosophy a phenomenon, which is radically the other. "The way, in which the other presents himself/herself, exceeding the other in me we name here face."<sup>70</sup>

Levinas situated himself in the place of the hostage who he understood to be a (gratified) member of the social system but who nevertheless is willing to receive the impact of an appeal from the victim. The hostage is not exactly in the place of the victim. That is, hostages enjoy the rewards of the social system of which they are members but also are able to face victims and heed their appeals for help. The hostage responds to the victim. This re-sponsibility (from *spondere* to "take something into one's charge" in Latin) towards the other comes before the taking of any decision.<sup>71</sup>

Philosopher of liberation, Enrique Dussel calls Levinas's ethics "Ethics of Liberation" which is liberation of victims and not of the satisfied. Heideggerian ontology, traditional phenomenology, the linguistic logics, are philosophies of the "satisfied." To come face to face with the unsatisfied—the poor, the abused women—

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<sup>68</sup> Qtd. in Caroline Bayard and Joyce Bellous, "Editor's Introduction," *Philosophy Today* 43, no. 2 (1999): 115.

<sup>69</sup> Ibid.

<sup>70</sup> Emmanuel Levinas, *Totality and Infinity*, trans. A. Lingis (Pittsburgh: Duquesne, 1969), 50.

<sup>71</sup> Enrique Dussel, "'Sensibility' and 'Otherness' in Emmanuel Levinas," *Philosophy Today* 43, no. 2 (1999): 127.

is to begin to wonder about this whole dimension, which Levinas opened up before us.<sup>72</sup>

Levinas reached the pinnacle of his contemporary thought, when he wrote:

The face of a neighbor that I meet in proximity signifies for me an unexceptionable responsibility, preceding every free consent, every pact, every contract. It escapes representation; it is the very collapse of phenomenology....The disclosing of a face is nudity, non-form, abandon of the self, aging, dying, more naked than nudity. It is poverty, skin with wrinkles, which are a trace of itself.<sup>73</sup>

Levinas identified what had not been emphasized in Western thought. In describing the victim's destitution, he moved from statements of fact to normative obligations. I recognize in the face by which I am "captured," a "re-responsibility," an "obedience," and an "obligation." Obedience precedes any hearing of the command. The other presents himself/herself as an anarchic being that slips into me like a thief through the outstretched nets of consciousness. This trauma surprises me completely—this unheard command of obligation. This responsibility puts us under an ethical obligation on behalf of the other, as victim.<sup>74</sup>

At a time when globalization engages us to celebrate totality and total consumerism, Levinas calls us to look at the face of the other who stands at the periphery, to become a hostage to the other and feel responsibility towards him/her; the responsibility which recognizes the other's alterity and doesn't totalize him/her to the same.

### 3.4 Immanuel Kant's Categorical Imperative

"Two things fill the mind with ever new and increasing admiration and awe, the oftener and the more steadily we reflect on them: *the starry heavens above and the moral law within.*"<sup>75</sup>

We cannot discuss the contemporary moral philosophy without mentioning Kant. We can speak for him or against him, but can't just ignore him.

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<sup>72</sup> Ibid.

<sup>73</sup> Ibid., 131.

<sup>74</sup> Ibid.

<sup>75</sup> Immanuel Kant, *Critique of Practical Reason*, trans. Louis White Beck (NY: The Bobbs-Merill), 166.

Kant has put forward his views on ethics in three books:

1. Foundation (Groundwork) of the Metaphysics of Morals (1785)
2. Critique of Practical Reason (1788)
3. Metaphysics of Moral (1797)

Kant's views on morality come under the deontological theory of normative ethics, which means the study of the concept of duty, which involves certain obligation, responsibility, commitment, etc.

Kant was in search for the ground, basis or foundation for the validity of ethics. He wanted such a principle, which is universally binding for all. In short, he was looking for a genuine morality, which is objectively, and universally binding and which requires an *apriori* foundation. According to him, the existing morality is empirical, based on human desires and inclinations, which do not give solid foundation, and so finally he came to categorical imperative.

According to Kant, not what people do, but what they ought to do, is pure ethics. This can be established *apriori*. Moral principles must be grasped entirely *apriori*. What we have to show is there is a moral law valid for all rational beings as such and for all people, in virtue of their rationality a law that rational beings as such ought to follow if they are tempted to do otherwise.

In the *Foundations of the Metaphysics of Morals* (1795) Kant described his ethical system, which is based on a belief that reason is the ultimate foundation of morality. In section I, Kant tries to derive the fundamental principle of morality from an analysis of 'ordinary rational knowledge of morality.' The key steps in his analysis are: virtue lies in the good will of an agent rather than any natural inclination or any particular end to be achieved; good will is manifested in the performance of an action for the sake of fulfilling duty rather than for any other end; and what duty requires is the performance of an action not for the sake of its consequences, but because of its conformity to the law as such.<sup>76</sup>

Kant described two types of commands given by reason: the "hypothetical imperative," which rationally dictates a given course of action to reach a specific end or goal; and the "categorical imperative," which rationally dictates a course of action independent of whatever goals the agent may have.

Different formulations of categorical imperative are as follows:

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<sup>76</sup> *Routledge encyclopedia of Philosophy*, Vol III, s.v. "Kant, Immanuel."

1. **The formula of the law of nature:** *Act as though the maxim of your action were by your will to become a universal law of nature.*<sup>77</sup>
2. **The formula of the End in itself:** *Act so that you treat humanity, whether in your own person or in that of another always as an end and never as a means only.*<sup>78</sup>
3. **The formula of Autonomy:** *Act according to maxims, which can at the same time have themselves as universal laws of nature as their object.*<sup>79</sup>
4. **The formula of the kingdom of Ends:** *Every rational being must act as if he, by his maxims, were at all times a legislative member in the universal realm of ends.*<sup>80</sup>

From these various formulations of Kant's categorical imperative, we can derive a certain conclusions, which can be applied to make economics more ethical. Because human being is capable of giving law to himself/herself, he/she ceases to be a thing and becomes a person, and as a person and autonomous lawgiver he/she possesses human dignity and an infinite power.<sup>81</sup> Workers, customers and the poor, marginalized people are dignified persons. The industrial organizations such as MNCs cannot treat them as mere means for the maximization of the profit.

The universal law, which Kant mentions, is autonomous. It is only with the introduction that humanity is an end in itself because of its potential for freedom, that the real ground of a possible categorical imperative is discovered.<sup>82</sup> Thus we see that the notion of freedom is very important for Kant. He did not regard his freedom as the lawless freedom of anarchy, but rather as the freedom of self-government, the freedom to obey consciously the laws intrinsic to one's nature as a rational being. In today's age of neo-liberalization, the economic freedom of the third world countries is seriously under threat. Kant's categorical imperative strongly condemns the attack on the freedom of a person.

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<sup>77</sup> Immanuel Kant, *The Foundations of The Metaphysics of Morals*, tran. Lewis Whits Beck. (New York: The Bobbs-Merill, 1959), 39.

<sup>78</sup> *Ibid.*, 47.

<sup>79</sup> *Ibid.*, 55-56.

<sup>80</sup> *Ibid.*, 57.

<sup>81</sup> *Encyclopedia of Americana*, Vol. XVI, s.v. "Kant, Immanuel."

<sup>82</sup> *Routledge encyclopedia of Philosophy*, Vol. V, s.v. "Kant, Immanuel."

### 3.5 Enrique Dussel's Economics of Liberation

“Economics or service (*habodah*) to the other as other, to the oppressed, the poor, women, and youth is the economics of liberation.”<sup>83</sup>

Argentinean philosopher, theologian, and historian Enrique Dussel understands the present international order as divided into the “culture of the center,” by which he means the ruling elites of Europe and North America, and “the peoples of the periphery,” by which he means the populations of Latin America, Africa and part of Asia, and the oppressed classes (including women and children) throughout the world. In *Philosophy of Liberation*, he presents a profound analysis of the alienation of peripheral peoples resulting from the imperialism of the center.<sup>84</sup>

Dussel's aim is to demonstrate that the center's historic, cultural, military, and economic domination of poor countries is *philosophically* founded on North Atlantic ontology. By expressing supposedly universal knowledge, European philosophers, argues Dussel, have served to equate the cultural standards, modes of behavior, and rationalistic orientation of the West with human nature and to condemn the unique characteristics of peripheral peoples as “nonbeing, nothing, chaos, irrationality.” Hence Western philosophies have historically legitimated and hidden the domination that oppressed cultures have suffered at the hands of the center. Dussel probes the various ways in which peripheral peoples are exploited with impunity by the multinational corporations, the communications media, and the armies of the center with their counterparts among the Third World elite.<sup>85</sup>

For Dussel, “economics is the relationship of the practical level (political, sexual, pedagogic, antifetishist) to the productive level (semiotics, technology, design, etc.).”<sup>86</sup> Dussel says that economics is the study of production, interchange, distribution and consumption of products given a social structure. It questions present-day systems with regard to alienation of the other at the productive-practical level and liberation of the other.<sup>87</sup> Economics is to guarantee survival of everyone. Exploitation

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<sup>83</sup> Enrique Dussel, *Philosophy of Liberation*. (New York: Orbis Books, 1985), 151.

<sup>84</sup> Raimundo Panikkar, Cover Page, *Philosophy of Liberation*.

<sup>85</sup> Ibid.

<sup>86</sup> Dussel, *Philosophy of Liberation*, 140.

<sup>87</sup> Ibid., 140-41.

and domination have been in existence from the very beginning of history (slavery, tributary system). A recent form of exploitation is colonization. The colonizers destroyed the economics of the peripheral nations. Dussel finds that the origin of underdevelopment in the peripheral nations is due to the exploitation and enslavement by colonial powers and presently neo-colonialism. In this context, he mentions that liberation of the people means justice.<sup>88</sup> We need to create space for authentic economic freedom. According to him, “liberative economy is service in justice, meditation that ministers to the other, technical innovation and technology for the other—for the other’s growth, development, happiness.”<sup>89</sup> The great influence Levinas had on Dussel is clearly seen here.

Dussel formulated the contradiction within the market process as being the contradiction between the growing wealth of the ‘central’ capitalist countries and the growing penury of those on the ‘periphery.’ Dussel condemns the neo-liberal economics by saying:

The market, as defined by neo-classical and neo-liberal economists, is a formally auto-poietic, self-referent and abstract system, whose only purpose is the reproduction of capital, within the framework of the market and dealing only in ‘prices’: it has no ‘work-value’ doctrine with which to measure anthropology and economics against ethics. The lives of human beings have no relevance whatsoever for such ‘formal systems’ – which have no content. ‘Survival’ is a topic, but only as an apology to hide the horrible unintentional effects, which no supposed ‘balance’ can prevent. What exists in practice is an appalling imbalance.<sup>90</sup>

This led him to formulate three ethical principles:<sup>91</sup>

1. The ethical-critical principle that obliges us to criticize the market system from its victims.
2. The consensual formal principle that obliges us to organize symmetrical participation for the victims—through the new critical social and political movements: ecological, feminist, workers’ rights, Third World, and so on;

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<sup>88</sup> Ibid., 152.

<sup>89</sup> Ibid.

<sup>90</sup> Enrique Dussel, “The Market from the Ethical Viewpoint of Liberation Theology,” *Concilium* no. 2 (1997): 96.

<sup>91</sup> Ibid., 97.

3. The liberation principle that obliges us really to deconstruct the negativities—or norms, actions, institutions or ethical systems—and practically construct the new bodies needed—the complex stages of a liberation process.

Dussel's economics of liberation is the voice of the voiceless. Dussel takes the side of the marginalized and the wretched of the earth. He formulates appropriate ethical principles, which can be instrumental in the economic liberation of the people of the periphery.

### **3.6 John Maynard Keynes's Moral Economic Policy**

“No society can surely be flourishing and happy of which the far greater part of the members are poor and miserable.”<sup>92</sup>

Adam Smith, the father of modern economics showed his concern for the poor with the above-mentioned words. In the twentieth century, the father of macroeconomics, John Maynard Keynes too showed his love for the poor by proposing moral economic policy, which will lead to welfare state.

John Maynard Keynes was a student of Alfred Marshall and an exponent of Neo-Classical economics until the 1930s. The Great Depression in 1929 bewildered economists and politicians alike. The economists continued to hold, against mounting evidence to the contrary, that time and nature would restore prosperity if government refrained from manipulating the economy. Unfortunately, approved remedies simply did not work. In the United States, Franklin D. Roosevelt's 1932 landslide presidential victory over Herbert Hoover attested to the political bankruptcy of laissez-faire policies.<sup>93</sup>

New explanations and fresh policies were urgently required; this was precisely what Keynes supplied in his enduring work *The General Theory of Employment, Interest, and Money*.<sup>94</sup> Keynes deliberately parted company with belief in the autonomous self-regulation of the market for the good of all. This goal, he argued, can only be attained by conscious political directions. The criteria for such action are justice, equilibrium and peace. Keynes's great theoretical achievement, which he

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<sup>92</sup> Seldes, 745.

<sup>93</sup> *Routledge encyclopedia of Philosophy*, Vol. V, s.v. “Keynes, John Maynard.”

<sup>94</sup> *Ibid.*

worked out especially in his *General Theory* (1937), consisted in demonstrating that full employment, regular growth and an increase in purchasing power are possible if the state itself guides investment activity in a cycle which runs opposite to the economic situation. If in addition taxation policy damps speculation and progressive taxation of wealth finances social policies, the result can be what we call a welfare state.<sup>95</sup>

The Keynesian economics that dominated after the Second World War was a paternalistic economics to the extent that it considered economic knowledge as an elite knowledge, needed by some supposedly privileged mediators in order to interpret the interests of society correctly. Against the epistemological optimism of liberalism, which trusted in the ‘objective’ messages that came from the free market, the Keynesians shared a pessimistic epistemology with respect to the market. In Keynesian theory, economic and social truths are not clear to all citizens in the same way and with the same objectivity. There exist social and economic circumstances that give rise to privileged information and, by the same token, to erroneous information.<sup>96</sup>

Keynes attributed superior wisdom to the state and its economic advisers. He also furnished them with the means necessary to apply this wisdom. The two most efficacious instruments Keynes gave them were, in a way, those that Adam Smith had denied to mercantilist governments at the end of the eighteenth century: monetary policy and fiscal policy. Governments would once again be able to decide the amount and the value of money in circulation; they could also use taxes to achieve the goals they had, for the good of society, paternalistically defined for economic policy.<sup>97</sup>

The Keynesian economics that has inspired the economic policies of the West in the second half of the twentieth century protected the vulnerable members of society, especially by offering social security to those involuntarily out of work, and security of employment to those in work, and security of employment to those in work, in a way the free market could not guarantee. This can explain the growing

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<sup>95</sup> Ulrich Duchrow, “Christianity in the Context of Globalized Capitalistic Markets,” *Concilium* no. 2 (1997): 35.

<sup>96</sup> *Ibid.*

<sup>97</sup> Francisco Gomez Camacho, “The Market: The History and Anthropology of a Socio-Economic Institution,” *Concilium* no. 2 (1997): 5.



acceptance of a view of economic management that offered higher levels of security and welfare at the cost of renouncing increased levels of freedom. To the extent that the loss of economic freedom went hand in hand with economic growth and full employment society kept its faith in the wisdom and ability of governments to guarantee stable levels of economic and social welfare.<sup>98</sup>

The great efficiency of this model is shown by a comparison between the phase influenced by Keynes and the neo-liberal phase: between 1950 and 1978 in the USA the income of the poorest 20% rose by 140%, and that of the richest by 99%; by contrast, between 1978 and 1993 the income of the poorest fell by 19%, while that of the richest increased by 18%.<sup>99</sup>

Keynes gave a lecture on his visit to Spain in 1930 entitled ‘The Economic Possibilities for our Grandchildren’. This was one of the few occasions when Keynes set his sights on the long term, and with this long-term view he described a world in which the economic problem of scarcity would have been overcome, with the result that we would be able to listen happily to ‘the voice of morality.’ Keynes wrote in 1930:

When the accumulation of wealth is no longer of high social importance there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities to the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as possession—as distinguished from the love of money as means to the enjoyments and realities of life—will be recognized for what it is, a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall be free, at last, to discard.<sup>100</sup>

The society Keynes forecast for his grandchildren was a society in which economic abundance provided the necessary condition for the practice of virtue and solidarity. In such a society, economic conduct would not have to be based on maximizing usefulness for oneself and could be replaced by conduct based on

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<sup>98</sup> Ibid.

<sup>99</sup> Ibid., 6.

<sup>100</sup> Ibid., 7-8.

morality. Truly human ends could be put before material ends and morality would take precedence over individual selfishness. Such a society would, no doubt, be preferable to present-day society, in which economic conduct is governed by the rule of need.<sup>101</sup>

### 3.7 Amartya Sen's Development as Freedom

“Development can be seen ... as a process of expanding the real freedoms that people enjoy.”<sup>102</sup>

Nobel Laureate Amartya Sen's economic and philosophical insights are now making a breakthrough across the world to influence governments, international institutions, policymakers, researchers, activists and general public.<sup>103</sup>

Prof. Amartya Sen, the Nobel Prize winner in economic sciences in 1998 is widely acknowledged as “the conscience of economics.” Amartya Sen's *On Ethics and Economics* is a path breaking work where he shows the strong interrelation and interdependence between ethics and economics. His contributions to economics and ethics have strengthened the theoretical bases of both disciplines.

According to Sen, Adam Smith, the father of modern economics, is totally misunderstood. He says:

Indeed, it is precisely the narrowing of the broad Smithian view of human beings, in modern economics, that can be seen as one of the major deficiencies of contemporary economic theory. This impoverishment is closely related to the distancing of economics from ethics.<sup>104</sup>

Amartya Sen doesn't identify development with the western standards of development such as growth of gross national product, or with the rise in personal income, or with industrialization, or with technological advance, or with modernization. Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic

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<sup>101</sup> Ibid., 9.

<sup>102</sup> Amartya Sen, *Development as Freedom* (New Delhi: Oxford UP, 1999), 3.

<sup>103</sup> John Alexander, “The Sen Difference,” *Frontline*, Feb. 25, 2005, 4.

<sup>104</sup> Sen, *On Ethics and Economics*, 28.

deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states.<sup>105</sup>

Sen finds very many people across the world suffering from varieties of unfreedom. Famines continue to occur in particular regions, denying to millions the basic freedom to survive. Even in those countries, which are no longer, sporadically devastated by famines, under nutrition may affect very large numbers of vulnerable human beings. Also, a great many people have little access to health care, to sanitary arrangements or to clean water, and spend their lives fighting unnecessary morbidity, often succumbing to premature mortality. The richer countries too often have deeply disadvantaged people, who lack basic opportunities of health care, or functional education, or gainful employment, or economic and social security. Even within very rich countries, sometimes the longevity of substantial groups is no higher than that in much poorer economies of the so-called third world.<sup>106</sup>

Sen's path-breaking study of famines has been directly influential in transforming the lives of the world's poor. His economic analysis of famines in West Bengal, Ethiopia, China and Ireland challenged the conventional Malthusian wisdom that declining food supply is the most important cause of famine. Famines, he pointed out, occur mostly owing to the failure or malfunctioning of social and political arrangements. A country with no proper and robust democratic practice and institutions including an independent and critical press and media is prone to severe famine, starvation and undernourishment, even when there is an adequate production of food or at least no substantial reduction in the quantity of food supply.<sup>107</sup>

According to him, freedom is central to the process of development for two distinct reasons.

1. *The evaluative reason*: assessment of progress has to be done primarily in terms of whether the freedoms that people have are enhanced.
2. *The effectiveness reason*: achievement of development is thoroughly dependent on the free agency of people.<sup>108</sup>

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<sup>105</sup> Sen, *Development as Freedom*, 3.

<sup>106</sup> *Ibid.*, 15

<sup>107</sup> Alexander, 5.

<sup>108</sup> Sen, *Development as Freedom*, 4.

Amartya Sen sees five distinct types of freedom in an “instrumental” perspective. They are as follows: (1) Political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security. Each of these distinct types of rights and opportunities helps to advance the general capability of a person.<sup>109</sup>

Freedoms, according to Amartya Sen are not only the primary ends of development; they are also among its principal means. In addition to acknowledging, foundationally, the evaluative importance of freedom, we also have to understand the remarkable empirical connection that links freedoms of different kinds with one another. Political freedoms (in the form of free speech and elections) help to promote economic security. Social opportunities (in the form of education and health facilities) facilitate economic participation. Economic facilities (in the form of opportunities for participation in trade and production) can help to generate personal abundance as well as public resources for social facilities. Freedoms of different kinds can strengthen one another.<sup>110</sup> Sen analyzes the role of tradition, culture and democracy in enhancing freedom. He sees freedom as the foundation of justice.

Amartya Sen discusses the implications of his “development as Freedom” approach for policy analysis as well as for the understanding of general economic, political and social connections. A variety of social institutions—related to the operation of markets, administrations, legislatures, political parties, nongovernmental organizations, the judiciary, the media and the community in general—contribute to the process of development precisely through their effects on enhancing and sustaining individual freedoms. Analysis of development calls for an integrated understanding of the respective roles of these different institutions and their interactions. The formation of values and emergence and evolution of social ethics are also part of the process of development that needs attention, along with the working of markets and other institutions.<sup>111</sup>

Philosophical insights do not normally have instant success. They take at least a generation to gain wider acceptance. But in the case of Sen, it seems somewhat different. Sen is not only celebrated as a leading economist and a godfather of

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<sup>109</sup> Ibid., 10.

<sup>110</sup> Ibid., 10-11.

<sup>111</sup> Ibid., 297.

development thinking and practice. He is also regarded as a philosopher par excellence on two important fronts.<sup>112</sup>

1. Against a growing tendency to treat economics and ethics as two separate worlds, Sen has illustrated that there could be rewarding dialogue and mutually beneficial influence between the two as we have seen earlier.
2. Sen's thinking is gaining currency in contemporary political philosophy as well. Utilitarianism and liberalism inspired by the American Philosopher John Rawls are two major philosophical trends in contemporary political philosophy. Sen, along with other philosophers, has strongly criticized this view as being arbitrary, unreasonable and unjust. This point is also discussed in the chapter two.

In today's ultratech world of mechanization (where machines are humanized and people are mechanized), Amartya Sen calls us to be concerned about the freedom of the individual. Enhancement of freedom will bring about enthusiasm in the masses to work for their welfare and the welfare of their countries' economic condition.

These are but a few ethical imperatives in economics. Each of us needs to have his/her own ethical way of examining economic analysis, which is anti-poor. Indeed, if we don't talk about the plight of the poor, we don't have right to exist.

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<sup>112</sup> Alexander, 9-10.

## CHAPTER 4

### OBSTACLES TO ACHIEVE THE ETHICAL IMPERATIVES IN TODAY'S WORLD

Dr. Lawrence H. Summers, the chief economist of the World Bank since 1991, proposed to send dirty industries to the third world. To the mounting opposition from the humanists, he replied, "Anyway they live less, let them die early." If this is the stand of the economists propagating globalization, the ethicality of the globalizing propaganda is certainly questionable. In this chapter, I make an attempt to analyze the present situation of poverty and inequality in the context of globalization, which become obstacles to achieve the ethical imperatives mentioned in the previous chapter.

#### 4.1 New Economic policy and Globalization

The present Prime Minister of India and the main catalyst in the process of liberalization in India, Manmohan Singh spoke very optimistically about the New Economic Policy, which opened the doors to globalization in India. He said in 1992:

I am convinced that if we carry our economic reforms to their logical conclusion, India in the first decade of the next century would not only be an emerging economic force in the global arena, but the bulk of India's poor would have been liberated from the bonds of poverty; our children would have been freed from the ignominy of having to toil in inhuman conditions and would have the support they need to educate themselves and acquire the skills required for a standard of living far better than that enjoyed by their parents...<sup>113</sup>

Manmohan Singh's New Economic Policy has not changed the situation of the poor even after 15 years. India is shining only in the urban areas, what about the rural areas where most Indians live?

Globalization is seen as a major challenge in today's world. To some globalization represents brave new world with no barriers. For others it spells doom and destruction. Globalization and advances in technology create significant opportunities for people to connect, share and learn from each other. At the same time, pure corporate driven globalization increases inequalities between and within countries, undermines local traditions and cultures, and escalates disparities between

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<sup>113</sup> Manmohan Singh, "New Economic Policy, Poverty and Self-reliance," *New Economic Policy*. Siddheswar Prasad, et al, ed. (New Delhi: Mittal, 1993), 23.

rich and poor, thereby marginalizing large number of people. Women, indigenous people, the aged and people with disabilities suffer disproportionately from the effects of corporate driven globalization.

Dr. M. Victor Louis Anthuvan comments on this phenomenon as follows:

The word 'globalization' comes across as an enigma wrapped in contradictions—to distort Churchill's epithet on India. It implies economic integration and market liberalism but triggers social and political discord. It suggests the beneficial consequences of IT but is also the peg around which NGOs rally to remind the world of the 2 billion odd people who still live on less than \$2 per day. The phrases 'the world is a global village', 'geography is now history' are now part of the dictionary of clichés but are not clearly understood.<sup>114</sup>

Globalization is essentially a manifestation of the expansionary needs of the developed industrial world (the first world), and it is being pushed into the Third World Policy agenda by international financial institutions such as the World Bank and IMF structures. The Third World countries, which have been coerced into adopting structural adjustment programmes, find it difficult to escape rapid steps towards the road to liberalization, deregulation, privatization and state withdrawal. In all these countries, the political process is sought to be delegitimised as a mechanism for shaping the economic processes and their outcomes.<sup>115</sup>

The multinational corporations (MNCs), searching for avenues to expand their markets, to enhance their bottom lines and to increase their profits, are greatly in need of globalization of their economies. The MNCs and the leaders of the first world have openly admitted and acknowledged that their primary interest is to open and capture the otherwise closed markets of Asia, Africa and Latin America.<sup>116</sup> Bruno Kern says, in globalization "an attempt by economies with lower productivity to catch up is like the race between the hare and the tortoise."<sup>117</sup>

The global transfer of capital, through transnational corporations, the IMF, and the WB, most often serves the interests of 'First World' nations. 'Third World' debtor nations spend more to pay off interest on international loans than on basic social services for their citizens, casting the poor into ever greater economic insecurity and

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<sup>114</sup> Anthuvan, 12.

<sup>115</sup> Ibid., 14.

<sup>116</sup> Ibid., 15.

<sup>117</sup> Bruno Kern, "A Colossus with Clay Feet," *Concilium* no. 2 (1997): 16.

suffering.<sup>118</sup> In this context let us see how G-7, WTO, WB and IMF have created hegemony to suppress the poorest countries.

#### **4.1.1 G-7, WTO, WB, IMF Hegemony**

The seven rich countries known as G-7, take most economic decisions for the rest of the world. Instead of dealing with this imbalance, they want to keep these countries only as suppliers of cheap raw materials. In the event of a Balance of Payment crisis, the G-7 impose the single economy through the World Bank and IMF. Basic to it is the Structural Adjustment Programme with conditionalities such as reducing financial deficit to 5% of GDP, privatization of the services and elimination of subsidies.<sup>119</sup>

At present the steering wheel of the bandwagon of globalization is in the hands of the unholy trio, they are, the World Bank (WB), the International Monetary Fund (IMF), and the World Trade Organization (WTO). The axis of this trio is the USA itself whose profitmongering Transnational Organizations frame the policies and guidelines for the rest of the world, unmindful of the adverse effects on developing nations. Joseph Stiglitz, one of the economists working for the World Bank has disclosed the hegemony of this unholy trio in his book *Globalization and its Discontents*.

From 1983 onwards, the net flow of money is from the South (the third world) to the north (developed countries). This comes in the form of repayment of earlier loans or the repatriation of profits by the multinationals. This transfer now amounts to about 50 billion dollars per year, in spite of the fact that the IMF and World Bank are supposed to be helping the poorer nations to get over the crisis, net flow to the IMF from these countries amounted to 7.9 billion dollars. Neither of the two institutions has actually helped spread the world's wealth more equally over the globe. World Trade is only actually in accordance with the WTO accords. The 'illegal' restrictions placed on the exports from the South result in a loss of 75 billion dollars a year. The structural adjustment imposed by the IMF on these nations results in a dramatic fall in the prices of their traditional exports. Thus in spite of human efforts to produce more and to export it while tightening their own halts, they have even less income than

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<sup>118</sup> Lisa Sowle Cahill, "Justice, Gender and the Market," *Concilium* no. 2 (1997): 133.

<sup>119</sup> Walter Fernandes, "Globalisation, Liberalisation and the Victims of Colonialism," *Globalization and its Victims*, Michael Amaladoss, ed. (Delhi: Cambridge Press, 1999), 4.



before. All in all, the consequences of the unequal structure of the world market is an yearly loss of 500 billion dollars for the nations of the south. This is six times the total development aid given by the North to the South.<sup>120</sup>

#### **4.1.2 The Transnational Corporations (TNCs)**

The transnational corporations are at the heart of economic globalization and they account for two-thirds of all world trade. Some of the leading TNCs are economically larger than most of the countries in the world.

The top 200 global corporations accounted for \$ 3,046 billions of sales in 1982, equivalent to twenty four percent of world GDP (\$ 12,600 billion) that year. By 1992, their sales had reached \$ 5.862 billion and their equivalent value to world GDP (\$ 21,900 billion) had risen to 26.8 percent.<sup>121</sup>

#### **4.1.3 Speculative Overhang**

The prevailing contradiction in the global economic system today is the decoupling of the monetary level from the real economy. Only a bare 2% of the turnover on the international stock markets serves to finance imports and exports, an exchange of goods and services which actually take place. The 'remaining' 98% is a speculative overhang. Thus decisive data for the real economy, like currency rates, are governed by speculation, which leads to casino capitalism.<sup>122</sup>

## **4.2 Poverty**

"Poverty is the worst form of violence." – Mahatma Gandhi.<sup>123</sup>

Poverty is the greatest of evils and the worst of all crimes. Today, more than 1.2 billion people (one in every five on earth) survive on less than one dollar a day. South and East Asia contain the largest numbers of people in income poverty though

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<sup>120</sup> Anthuvan, 8-9.

<sup>121</sup> Fernando Franco, "The Sequels of Globalzation," *Samvedana* 3, no. 25 (2000): 12.

<sup>122</sup> Kern, 12.

<sup>123</sup> "Poverty Quotes," *All the Best Quotations*, Chatna and Co. Ltd, 2 Feb 2005, <http://chatna.com/theme/poverty.htm>.

both regions have recently made impressive gains. A lack of sustained poverty reducing growth has been a major obstacle to reducing poverty.<sup>124</sup>

Poverty imposes an enormous toll on India and its citizens, especially in rural areas where almost three out of four Indians and close to 80 per cent of the Indian poor live. Despite decades of poverty alleviation efforts, the absolute number of poor has doubled since independence in 1947. India today retains the dubious distinction of having the largest number of poor people on the planet.<sup>125</sup> According to the Human Development Report 2003, out of 174 countries, India occupies 127<sup>th</sup> place and Pakistan is slightly better placed.<sup>126</sup> Basic public services have failed the poor. Government schools and health clinics are empty of teachers and doctors, and textbooks and medicines. Clean water is unreliable or unavailable.

It is not that only third world countries are marred with this evil, there are hidden pockets of poverty in the so-called developed first-world countries, too. The world GNP has grown many times in the last 50 years; even more spectacular has been the growth of prosperity in the US. Yet, more than 11 per cent of its citizens have more or less consistently stayed in poverty throughout almost the entire period of American hyper-prosperity. In the current capital of world capitalism, New York, 25 per cent of all children and 50 per cent of African-American children live in families with incomes below the official poverty line. Around 40,000 homeless adults live in streets, subways, under bridges and train tunnels of the city.<sup>127</sup> Why are there 20 million abandoned and undernourished children in a country (USA) that not only has the means to feed all its own children, but also hundreds of millions in other countries?

According to Professor Amartya Sen, in identifying the poor, we must take note for example, of the deprivation of citizens of authoritarian regimes, from Sudan to South Korea, who are denied political liberty and civil rights, and we must try to understand the predicament of subjugated homemakers in male dominated societies common in Asia and Africa, who lead a life of unquestioning docility; of the illiterate

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<sup>124</sup> Kern., 6-7.

<sup>125</sup> Tim Hanstad, and others, "Larger Homestead Plots as Land Reform?" *EPW* 37, no. 29 (2002): 3053.

<sup>126</sup> Anthuvan, 11.

<sup>127</sup> Ashis Nandy, "The Beautiful, Expanding Future of Poverty," *EPW* 39, no. 1 (2004): 94.

children who are offered no opportunity for schooling, of minority groups who have to keep their voices muffled for fear of the tyranny of the majority; and of dissidents who are imprisoned and sometimes tortured by the guardians of law and order. Amartya Sen also sees poverty as ‘capability deprivation.’<sup>128</sup>

There are many far-reaching implications of poverty in today’s world such as child labor, child criminalization, corruption, displacement, malnutrition, etc. Let us go through a few implications of poverty in the context of globalization.

#### 4.2.1 Debt Crisis

“Debt is the worst poverty.” – Thomas Fuller.<sup>129</sup>

Basic to the single economy is the balance of payments crisis and the foreign debt trap. It is a consequence of the pattern of development chosen by many newly independent countries, of the present unjust international economy and decades of unequal trade relations. The imbalance is the most visible in Sub-Saharan Africa, much of which depends on a single commodity whose international price keeps falling while those of the finished goods they import from rich countries keep rising.<sup>130</sup>

Much of the debt burden in low-income countries dates back to the 1970s and 80s. Many poor countries had borrowed to fund domestic projects on the back of the commodity price boom, believing that high prices and export earning would be sustained. Oil price shocks during that time, which caused recessions throughout the world, combined with high interest rates and low commodity prices to hit borrowing countries especially hard. Though many countries recovered, many did not.<sup>131</sup>

To restrict ourselves to foreign debt, in 1995, the countries of the South together owed more than \$ 2 trillion to the rich countries. 35 poorest countries owed \$ 226 billion. Among them, the 28 countries of Sub-Saharan Africa, minus South

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<sup>128</sup> Sen, *Development as Freedom*, 87.

<sup>129</sup> “Poverty Quotes,” *All the Best Quotations*, Chatna and Co. Ltd, 2 Feb 2005, <http://chatna.com/theme/poverty.htm>.

<sup>130</sup> Fernandes, 3.

<sup>131</sup> “Debt Strategies for Sustainable Growth and Poverty Reduction,” Debt Department, 2 Feb. 2005, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,menuPK:64166739~pagePK:64166681~piPK:64166725~theSitePK:469043,00.html>.

Africa, owed a total of \$ 199 billion, which is 20% more than their total annual income. In 1994 they could repay only 10% of the total due that year. Between 1990 and 1993, Mozambique paid only 10% of what it owed. More importantly, in the 1980s, the Balance of Payment crisis forced them to shift to commercial crops in order to earn foreign exchange. As a result, their staple food production declined and starvation followed.<sup>132</sup> In spite of the massive debt repayments, extracted at enormous social cost, the level of indebtedness continues to rise.

#### **4.2.2 Suicide by Farmers**

Liberalization has increased farmers' distress. Extreme manifestations of such distress occur in the form of suicides of farmers, reported from many states of India especially in Andhra Pradesh, Karnataka, Panjab and Maharashtra. Reports relating farmers' distress in the media indicated the loss of crops, price fall, heavy debt burden and inability to meet family requirements, as the main reasons. But similar distressful periods have not been infrequent in the history of Indian agriculture; even so, suicides were not so common then. In this background, the question arises whether the changed market situations, forces of commercialization and failure of village institutions are responsible for farmers' suicide.<sup>133</sup>

#### **4.2.3 Unemployment**

The loss of jobs in organized sector employment due to economic liberalization has been marked as a global trend. Liberalization has created an enabling environment for cutting regular, salaried jobs through VRS, contractual employment, subcontracting, outsourcing and so on. The shrinking of the organized sector has been accompanied by the expansion the informal sectors, where people do not have job security, wage revisions and other benefits.<sup>134</sup>

During the 1990s while the number of people entering the job market continued to increase by 2.3% per year, the rate of growth of new job declined to 1.6%. No country can survive for long if it denies the employment to its people but also offers them no safety net to keep them alive. The implications of this unending

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<sup>132</sup> Fernandes, 4.

<sup>133</sup> R S Deshpande, "Suicide by Farmers in Karnataka," *EPW* 37, no. 26 (2002): 2601.

<sup>134</sup> Supriya RoyChawdhury, "Globalization and Labour," *EPW* 39, no. 1 (2004):106.

rise in unemployment are alarming. If it is not arrested, hordes of young men and women of whom this society is unwilling to accommodate, will tear the country apart. We have to acknowledge the gravity of this situation.<sup>135</sup>

### 4.3 Inequality

Liberalization has caused an increasing inequality in employment opportunities and incomes. Economic opportunities created by the liberalization are highly unequal. Those better endowed with more access to skills, to markets, and with more resources or better links internationally have been able to benefit. The entry of imported 'China-Korea' silk and the entry of large fishing vessels into Indian waters destroyed the employment of silk spinners and fishermen using Indian fishing vessels. The plight of the street vendors is also pathetic.<sup>136</sup>

#### 4.3.1 Rich – Poor Divide<sup>137</sup>

Just three of the world's richest people have the combined gross domestic product of the 48 least developed countries. The world's 225 richest people have wealth of over one trillion dollars – more than the annual incomes of 2.5 billion people. The wealth of the world's richest 32 persons exceeds the GDP of South Asia, Iran and Afghanistan.

The intensity of inequality can be easily noticed from the following analysis of the *wealth wasted and the wealth needed to eradicate poverty*<sup>138</sup>

- ❖ The additional expenditure required to provide basic health, nutrition and employment to the poor \$ 100 billion only
- The amount spent on pet foods in Europe and USA \$ 17 billion
- Amount spent on business entertainment in Japan \$ 35 billion
- Amount spent on Cigarettes in Europe \$ 50 billion
- Amount spent on Alcoholic Drinks in Europe \$ 105 billion

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<sup>135</sup> T. R. S. Mani, "Status of Workers Rights in the Context of Globalization," *Ethics of Economics: Philosophy Symposium*. (Chennai: Dept. of Philosophy, Sacred Heart Seminary, 2004), 39-41.

<sup>136</sup> Renana Jhabvala and Shalini Sinha, "Liberalisation and the woman worker," *EPW* 37, no. 21 (2002): 2037-38.

<sup>137</sup> *Ibid.*, 17.

<sup>138</sup> *Ibid.*, 11.

- Amount spent on Narcotic Drugs in world \$ 400 billion
- Amount spent on military in the world \$ 780 billion

These factors bring out the glaring disparities between the rich and the poor at the global level. It is clear that there is enough non-essentials and harmful expenses, but basic necessities of the teeming millions go uncared for. What is lacking is political will.

#### 4.3.2 The Global Inequalities<sup>139</sup>

The global inequalities are heart-rending. In 1990, the richest 15% of the world's population had 82.7% of all the income. The poorest 60% had just 5.6% of it. This signifies that in the richest 20% of the countries, the average income was 50 times greater than the average in the poorest ones. In 1960 it was only 30 times greater. Thus the income gap doubled in 30 years. If we take the income of the richest 20% of the people in the world without considering national boundaries, their income is 150 times greater than the income of the poorest 20%.<sup>140</sup>

The following table shows the poignant inequality prevalent in the world.

Share of the World Income 1965 – 1990

Population	1965	1970	1980	1990
Poorest 20%	2.3	2.2	1.7	1.4
Second 20%	2.9	2.8	2.2	1.8
Third 20%	4.2	3.9	3.5	2.1
Fourth 20%	21.2	21.3	18.3	11.3
Richest 20%	60.5	70.0	75.5	83.4

Source: Roberto Patricio Korzeniewicz and Timothy Patrick Moran, World – Economic Trends in the Distribution of Income 1965 – 1992. “American journal of Sociology”, Vol. 102, No. 4, January 1997.

<sup>139</sup> Anthuvan, 16.

<sup>140</sup> Ibid., 7-8.

### 4.3.3 Rural-Urban Disparity<sup>141</sup>

Rural India abounds in poverty. Both in absolute and in relative terms, rural poverty represents a staggering dimension. The official figures, of course, claim that a regime of declining poverty is gradually ushering in. but there is no scope for complacency. It is still a substantial figure. Poverty affects 40 per cent of the rural population and 28 per cent of the urban population in India. In terms of the number of people, our rural sector contains 222 million poor people as compared to 50 million poor people in the urban sector.

### 4.3.4 Gender Disparity

While the poor suffer, women among them are the worst victims. According to one estimate, of the 1.4 billion absolute poor in the world, 70% are women.<sup>142</sup> It is scandalous that women who constitute half of the world's population and who put in two-thirds of the hours of work earn only 10% of the world's income and own less than 1% of the world's wealth.<sup>143</sup>

Women workers get paid less than men, much below the minimum wage. It is unjust that a worker spends many hours at difficult work and does not even earn enough to feed herself and her family.<sup>144</sup> Childcare provisions and maternity benefits are the crucial needs for the women worker. These benefits are denied to them. The Indian woman worker lives and works under many constraints. She belongs to the poorer families in the village. She faces a crushing work burden – of work for income, work for subsistence, work for the household and care work of children and aged. She often works in poor working conditions.<sup>145</sup>

Gender disparity manifests itself in various forms, the most obvious being the trend of continuously declining female ratio in the population in the last few decades (from 972 women in India for every 1000 men in 1921 to 933 in 2001<sup>146</sup>). Social

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<sup>141</sup> B. N. Ghosh, *Poverty and Underdevelopment* (New Delhi: Deep and Deep Publications, 1993), 9.

<sup>142</sup> Qtd. in Fernandes, 17.

<sup>143</sup> Mani, 41.

<sup>144</sup> Jhabvala and Sinha, 2040.

<sup>145</sup> Ibid.

<sup>146</sup> Tulsi Patel, "Missing Girls in India," *EPW* 39, no. 9 (2004): 887.

stereotyping and violence at the every level are some of the other manifestations. Discrimination against girl children, adolescent girls and women persists in parts of the country.<sup>147</sup>

The picture seems very bleak. Might has turned out to be right. Poor third world countries have become mere instruments in the hands of the rich first world countries. G-7 can dictate terms with the poor countries. USA can impose economic sanctions on India if India tests nuclear weapons, but itself goes on uncontrolled, terrorizing countries like Iraq and Afghanistan. Surely there is a great need to have ethical standards in world economy.

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<sup>147</sup> “National Policy for the Empowerment of Women – 2001 – India,” International Labour Office (ILO), 16 Feb. 2005, [http://www.logos-net.net/ilo/150\\_base/en/init/ind\\_2.htm#kuva](http://www.logos-net.net/ilo/150_base/en/init/ind_2.htm#kuva).



## CHAPTER 5

### PRACTICAL WAYS TO REALIZE THE ETHICAL IMPERATIVES

The old proverb ‘action speaks louder than words’ appeals to me very much. Ethicists cannot rest content with portraying ideal ends and passing judgments on the means to achieve justice and equality. Genuine ethics is a kind of *praxis*; it leads us in the realm of action to realize the ethical standards. I think my study will be incomplete if I don’t propose practical ways (in the context of India) to achieve the ethical imperatives presented by sages like Gandhi, Marx, Levinas, Dussel, Kant, etc.

#### 5.1 Rural Development

We have already seen the situation of poverty present in rural India. In order to empower these rural masses, we require concrete programmes. The government of India with the help of several NGOs (Non-Governmental Organizations) is striving to empower these rural masses through various programmes. Some of the programmes are as follows:

##### 5.1.1 Panchayati Raj

Panchayats in India have for long been an integral part of village administration. After independence, the constitution gave the responsibility of organizing and shaping local institutions to the state governments. The tasks of the state governments included endowing village panchayats with the necessary powers and authority to function as units of self-government. But despite recommendation of various committees, the PRI (Panchayati Raj Institution) structure failed to lead to adequate rural development, as political and bureaucratic control and various factors marred it.<sup>148</sup>

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<sup>148</sup> Shikha Jha, “Strengthening Local Governments,” *EPW* 37, no. 26 (2002): 2611.

The constitution (73<sup>rd</sup> Amendment) Act 1992, was a watershed in the history of the decentralized governance, planning and development. It made panchayats the third tier of government with reasonable substance and contents in terms of powers and authority as well as creating adequate space for women and marginalized groups in the federal set-up.<sup>149</sup>

With the amendment, panchayats have for the first time been statutorily recognized as having constitutional, functional and fiscal powers. The amendment gives incentives to states in the form of schedule XI to change the domain of panchayats and to include functions with distributional consequences. This schedule includes such key functions as agriculture, irrigation, drinking water, poverty alleviation, public distribution system, rural electrification, roads, primary, secondary and adult education, and maintenance of community assets.<sup>150</sup>

The decentralization of powers and delegation of authority to the lower levels is certainly a positive move. The ideal is “one’s development in one’s hands.” Are the Indian rural masses going to achieve this ideal?

### **5.1.2 Self Help Groups (SHGs)**

“A Self Help Group is a socially and economically homogenous group of 12-20 poor people voluntarily coming together to achieve common goals.”<sup>151</sup> SHG is widely considered as an important key to rural development. The members of SHGs meet every month and deposit a certain amount, commonly agreed upon by the group. In the initial stage, the members deposit less money and as the time passes they deposit bigger amount. From the collected money, the members of the group can borrow the amount they require to meet their expenses. The interest rate is normally 2% per month (3% in the initial stage to consolidate the group). The monthly meetings help the villagers to come together and discuss the issues concerning the development of their village. In the later stages the SHGs are linked with the banks and can take loans.

The concept of SHG is based on the idea of community participation, as sustainable community development requires the active participation of the entire

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<sup>149</sup> Pal, 137.

<sup>150</sup> Jha, 2612.

<sup>151</sup> Alka Srivastava, *Self Help Groups and Civil Society* (New Delhi: Indian Social Institute, 2004), 2.

community. 'Popular participation' ensures that the benefits of development are equitably distributed. Consequently the focus of SHGs is to develop the capacity of the disadvantaged, particularly women, and to organize them, so that they can deal with socio-political and socio-economic issues that affect their lives.<sup>152</sup>

A study by Fisher and Sriram mentions that India is fast becoming one of the countries with largest micro-finance system, and the SHGs are set to reach 17 million women by 2008 at the latest.<sup>153</sup>

I feel privileged to have the first hand experience of SHGs while I was working in a district in Maharashtra called Nandurbar. SHGs have become an instrument in changing the entire life of people, especially of women. A new scheme of Government, SGSY (Swaranjayanti Gram Swarojagar Yojana) promotes SHGs whose members are below poverty level to take loans up to Rs 3 lakhs from banks (with subsidy) and start their own business.

### **5.1.3 Grain Bank Project**

The grain bank project excellently supplements the network of SHGs. Just as the members deposit a certain sum of money monthly in SHGs, similarly, during the harvest time, a certain measure of grain is deposited in the grain bank by each member of the group. The grain bank is a structure built by the villagers through their own labour. Whenever a member needs some grain, he/she can borrow it with an interest rate of 25%, which is much lower than that of the landlords (100%).

In SHGs and Grain Banks, I see models for self-reliance. They are weapons to overthrow the economic dominance of the Landlords and pave the way for liberation. These groups are based on democratic principles and on the values of unity and sharing. They have the potential to develop our rural masses. I see a ray of hope in them.

### **5.1.4 Promotion of Small-Scale Rural Industries**

A small-scale industry is defined as "an industrial undertaking in which the investment in fixed assets, in plant and machinery whether held on ownership terms, on lease or on hire purchase does not exceed Rs 10 million."<sup>154</sup> Thus a small-scale

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<sup>152</sup> Ibid.

<sup>153</sup> Ibid., 10.

<sup>154</sup> Dhanamajiri Sathe, "Industrial Slowdown and Small-Scale Sector," *EPW* 37, no. 29 (2002): 2992.

industry doesn't require a big investment. There are various subsidies given by the government to promote such industries in rural areas. The small-scale sector has had special place in India's development policy. This sector accounts for almost 40 per cent of the country's industrial production and its share in exports is high at 35 per cent.<sup>155</sup>

According to the report of the high-level committee on credit to small-scale industries (1998), the sector employed around 178.50 lakh workers in 1999-2000. Under the planned economy regime the important role assigned to SSIs (Small-Scale Industries) was largely because of their capacity to generate employment. Under the new economic policy, too, the SSIs are expected to play an important role. This is because they have access to cheap labour, the use of which makes the economy more cost-effective. But, unfortunately, SSIs stand neglected both by policy-makers and researchers.<sup>156</sup>

The government must promote SSIs seeing the great possibility of generating employment and developing our rural India. Responsible business entrepreneurs must come forward to invest in rural areas.

## **5.2 Environmental Ethics**

"If you hit nature, nature will hit you back." This old American proverb seems to be coming true today. The industrialization in today's globalized world has had far-reaching effects on environment. These effects can be noticed in deforestation, increased production of green house gases, global warming, and loss of bio-diversity due to habitat destruction, urbanization, deforestation and monoculture. The dumping of toxic and hazardous waste into land and sea leads to air, water and land pollution. Consumerist lifestyle makes human foot-print bigger than that of an elephant on nature. The list of the harm caused to nature due to excessive industrialization and consumerism can go on and on.

Philosophy teaches how to live with our environment with peace and free from conflict. Sufficient care has not been taken to understand the traditional methods of preserving nature. This has led to innumerable environmental problems. Humans have

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<sup>155</sup> Ibid., 2990.

<sup>156</sup> Ibid.

brought the billions-of-years-old planet earth to the edge of a suicidal cliff. In this 15 to 20-billion-year-old-planet, early forms of life appeared about 4.5 billion years ago. The human being is a relatively recent arrival on earth. Mathew graphically presents this in the following words:

If we condense the age of the earth into the life span of a person, 46 years old, modern man appeared just four hours ago, agriculture was discovered during the last hour and the industrial evolution began a minute ago. In this one-minute, human beings have exploited and damaged the planet and its resources to the point of no return.<sup>157</sup>

Considering this I feel like agreeing with Sir W. S. Gilbert when he said, “Man is Nature’s sole mistake.”<sup>158</sup> He/she has dug his/her own grave. But there’s still time. “The last seven thousand days to save the Earth has begun,” said Dr. Norman Myers, the leading scientist on Bio-diversity. This is the time for action and indeed many initiatives have emerged. Environmental ethics is one of them.

“Environmental ethics is the study of how humans should or ought to interact with the environment.”<sup>159</sup> It is a field of inquiry that addresses the ethical responsibilities of human being towards the natural environment. It is concerned about values. This field took its name from the *Environmental Ethics*, a journal started in 1979. The major task of environmental ethics is the construction of a system of normative guidelines governing human being’s attitudes, behaviour, and action toward their natural government. Environmental Ethics is a developing field.

The current contributions to work in environmental ethics come from people like Murray Bookchin (Social Ecology), James Lovelock (The Gaia Hypothesis), Arne Naess (Deep ecology), Tom Regan and Peter Singer (Animal Rights), Paul Taylor (Respect for Nature),<sup>160</sup> Aldo Leopold (The Land Ethics)<sup>161</sup>, Françoise d’Eaubonne (Ecofeminism)<sup>162</sup>, etc. These and several other writers have contributed to make the discipline of environmental ethics more appealing to common people.

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<sup>157</sup> K M Mathew, “In Search of Theology of the Environment,” *Vidyajyoti*, Vol. 57, no. 4 (April 1993), 215.

<sup>158</sup> Seldes, 632.

<sup>159</sup> Clare Palmer, *Environmental Ethics*. (Santa Barbara, California: ABC-CLIO, 1997), 6.

<sup>160</sup> *Ibid.*, 36-44.

<sup>161</sup> Joseph Jardins, *Environmental Ethics* (USA: Wadsworth P, 1997), 176.

<sup>162</sup> *Ibid.*, 225.

People are becoming increasingly aware of the ecological crisis. The Governments and international agencies are showing great interest in ecology by organizing Earth Summits and passing regulations like Kyoto Protocol. But international and national conferences are not sufficient. Concrete actions have to be taken at all spheres. We must think globally and act locally.

We can develop a new environmental ethics by changing our life styles and attitudes. Concerted actions on the part of governments, NGOs and common people will certainly make difference. We have shining examples before us in the form of the Chipko movement, Netarhat field firing range, Koel-karo project, Tarumitra etc. We need to save nature to save ourselves.

### **5.3 Empowerment of Women, Dalits and Tribals**

The syndrome of the feeling of helplessness, apathy and passivity among the poor and the deprived people is what Oscar Lewis characterizes as the culture of poverty—a malaise that does not allow them to get rid of their affliction. It is to get rid of this affliction that empowerment becomes necessary.<sup>163</sup> In India, women, dalits and tribals are the most marginalized groups, which stand in need of empowerment.

#### **5.3.1 Empowerment of Women<sup>164</sup>**

The principle of gender equality is enshrined in the Indian Constitution in its Preamble, Fundamental Rights, Fundamental Duties and Directive Principles. The Constitution not only grants equality to women, but also empowers the State to adopt measures of positive discrimination in favour of women.

The women's movement and a wide-spread network of non-Government Organizations which have strong grass-roots presence and deep insight into women's concerns have contributed in inspiring initiatives for the empowerment of women.

The government of India has come up with a national policy for the empowerment of women in 2001. The goal of this Policy is to bring about the advancement, development and empowerment of women. Specifically, the objectives of this Policy include

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<sup>163</sup> *Encyclopedia of Dalits*, Vol. IV, s.v. "Introduction."

<sup>164</sup> "National Policy for the Empowerment of Women – 2001 – India," International Labour Office (ILO), 16 Feb. 2005, [http://www.logos-net.net/ilo/150\\_base/en/init/ind\\_2.htm#kuva](http://www.logos-net.net/ilo/150_base/en/init/ind_2.htm#kuva).

- i. Creating an environment through positive economic and social policies for full development of women to enable them to realize their full potential,
- ii. The de-jure and de-facto enjoyment of all human rights and fundamental freedom by women on equal basis with men in all spheres – political, economic, social, cultural and civil,
- iii. Equal access to participation and decision making of women in social, political and economic life of the nation,
- iv. Equal access to women to health care, quality education at all levels, career and vocational guidance, employment, equal remuneration, occupational health and safety, social security and public office etc.,
- v. Strengthening legal systems aimed at elimination of all forms of discrimination against women,
- vi. Changing societal attitudes and community practices by active participation and involvement of both men and women,
- vii. Mainstreaming a gender perspective in the development process,
- viii. Elimination of discrimination and all forms of violence against women and the girl child; and
- ix. Building and strengthening partnerships with civil society, particularly women's organizations.

### **5.3.2 Empowerment of Dalits**

The word Dalit (Oppressed or 'broken') is not new. Evidently it was used in the 1930s as a Hindi and Marathi translation of 'Depressed Classes,' the term the British used for what are now called the Scheduled Castes.<sup>165</sup> These Scheduled Castes over the years have been subjected to several forms of social disabilities. Untouchability was observed in every field of social interactions by the caste Hindus.<sup>166</sup>

Dalits were virtually denied the rights to own lands for cultivation, paid low wages as manual workers and were always in debts far beyond their capacity to repay.<sup>167</sup> Their occupations were unclean and degrading ones such as scavenging, removal of carcasses, night soil, beating the drum at funerals, etc.<sup>168</sup>

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<sup>165</sup> *Encyclopedia of Dalits*, Vol. I, s.v. "Introduction."

<sup>166</sup> *Encyclopedia of Dalits*, Vol. I, s.v. "Social Discrimination."

<sup>167</sup> *Encyclopedia of Dalits*, Vol. IV, s.v. "Employment and Occupations."

However, the position appears to have changed a little since independence. It has been urged and realized that an improvement in the economic conditions of the Dalits is a pre-requisite for their emancipation from traditional bondage to the caste Hindu and also for their better status in the society. Keeping this in mind, the Government has undertaken various steps under the Five Years Plans to improve the economic conditions of the Scheduled castes. There are multiple economic programmes implemented by the Government. A few relatively more important from the point of view of development of Dalits are creation of varied employment opportunities, distribution of lands, regulation of payment of wages to the laborers, extension of credit facilities and provision of better housing facilities.<sup>169</sup>

### 5.3.3 Empowerment of Tribals

According to 1991 Census, there were 67,758,380 Adivasis in India, i.e. 7.95% of the total population. Only 9.95% of the ST (Scheduled Tribe) population was then residing in urban areas.<sup>170</sup> Tribals are one of the most marginalized communities in India today. The situation of tribals is distressing.

The proportion of the STs below the poverty line is substantially higher than the national average. As per the estimates of the Planning Commission, 51.92% of the rural and 41.14% of the urban ST population was still living below poverty line in 1993-94, compared to 32.36% and 37.27% respectively of the total population.<sup>171</sup> The tribals suffer disproportionately because of the deforestation due to industrialization as their livelihood depends on the nature.

The tribal development and empowerment as carried out in India by both the Government and NGOs presents a mixed scenario. The Government gives constitutional guarantees to the tribals, but fails to implement them adequately. The NGOs have fared a little better, but need to address the tribal problems and issues more consistently and adequately. The Church institutions have contributed their own share to tribal development, and are often lauded in the areas of education, health

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<sup>168</sup> Ibid., 8.

<sup>169</sup> Ibid., 7.

<sup>170</sup> John Mundu, "Tribal and Indigenous Peoples in India," *India's Social Challenges*. Agapit Turkey, ed. (Banglore:NBCLC, 2004), 11.

<sup>171</sup> Alex Ekka, "Tribal Development and Empowerment," *India's Social Challenges*, Agapit Turkey, ed. (Banglore:NBCLC, 2004), 56.



services and other works of charity, welfare and development. The three institutions of the Government, the NGOs and the Church can play complementary roles in tribal development and empowerment. But it is ultimately the people who must demand their rights and privileges. The NGOs and the Church institutions can only facilitate this overall process of development and empowerment of the tribals in the country.<sup>172</sup>

The Common Minimum Programme (CMP) of the UPA (United Progressive Alliance) government has given many promises for Dalit and tribal development and empowerment. Time will only tell whether the government fulfills its promises or not.

## 5.4 Business Ethics

“Everywhere and at all times men of commerce have had neither heart nor soul; their cash-box is their God. They traffic in all things, even human flesh.” - Jacques Rene Hebert.<sup>173</sup>

Businessmen have seldom been enthusiastic about ethics. The case is not different in the ultramodern age of globalization. Profit is the sole aim of many business enterprises. What matters is money and nothing else. But there have been many attempts made by responsible business leaders to bring in ethical dimensions in the field of market economy. I would like to quote the example of James Burke, the CEO of Johnson and Johnson who voluntarily withdrew drugs worth \$ 100 million from the market after three US citizens died from a few poison laced capsules incurring huge loss.<sup>174</sup> In the inaugural speech of the JRD Tata Foundation for Business Ethics in XLRI, JRD Tata said, “There is indeed a need to rekindle old principles and ethical values which, alas, have too often been ignored or neglected in recent years in the belief that quicker profits and greater accumulation of wealth will be the result.”<sup>175</sup>

Business Ethics is a discipline developed in 1970s due to Watergate scandal (June 1972) during the reign of President Nixon (Republican). When Republicans

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<sup>172</sup> Ibid., 66.

<sup>173</sup> Seldes, 105.

<sup>174</sup> T. A. Mathias, “Profits or People: Business and Society,” *Corporate Ethics*. Theophane Mathias ed. (Jamshedpur: Allied Publishers Limited, 1994), 83.

<sup>175</sup> Qtd in Sorab Sadri, *Occasional Paper 1 on Business Ethics* (Jamshedpur: JRD Tata Foundation for Business Ethics, XLRI, 1993), 10.

entered Watergate (which housed democrats) Nixon was deposed and people felt that ever in public arena there had to be some ethics. In India too we witness different scams by politicians such as Bofors, Fodder, Tehelka scams etc. and so the great need of business ethics is felt.

#### **5.4.1 Definition<sup>176</sup>**

Business Ethics is the application of theories of right and wrong to activities within and between commercial enterprises and between commercial enterprises and their broader environment.

#### **5.4.2 Applications<sup>177</sup>**

1. Safety of working conditions
2. Fairness of recruitment
3. Transparency of financial accounting
4. Promptness of payments to suppliers

#### **5.4.3 Relations<sup>178</sup>**

1. Between businesses and consumers
2. Between businesses and local communities
3. Between businesses and local governments/ecosystems
4. Between employer and employees

#### **5.4.4 Importance<sup>179</sup>**

1. Ethics corresponds to basic human needs (people want and need to be ethical, not only in their private lives but also in their business affairs).
2. Most people want to be part of an organization or company, which they can respect and be publicly proud of for they perceive its purpose and activity to be beneficial to the society.
3. Values create credibility with public (if people know that the particular corporation is ethically and socially concerned it will gain respect and credibility). They tend to buy products from such a company (value for their money).

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<sup>176</sup> *Routledge encyclopedia of Philosophy*, Vol II, s.v. "Business Ethics."

<sup>177</sup> Ibid.

<sup>178</sup> Ibid.

<sup>179</sup> T. A. Mathias, "Corporate Ethical and Social Responsibility in Action," *Corporate Ethics*. Theophane Mathias ed. (Jamshedpur: Allied Publishers Limited, 1994), 30-32.

4. Values give management credibility with employees (mutual feeling). This perception creates common goals and cordial relation between employer and employees (common language 'our company'). There remains no room for confrontation.
5. Values help better decision-making. All decisions taken by management will be first in the interest of the public, secondly in the interest of their employees and thirdly in the interest of the company's long term good.

#### **5.4.5 Aspects of Business Ethics<sup>180</sup>**

Any business anywhere will have its own responsibilities. Ethical and social responsibility involves the following:

1. Observance of law: Every corporation/company has certain rules for employees (working hours) but there is lack of work-ethic among both employers and employees (sole aim is to draw a salary). Social responsibility is more than what law requires (law must be observed not only in letter, but in spirit).
2. Responsible profit: All companies have social responsibility and to discharge this properly the companies must make a profit, but cold-blooded/unreasonable profit coming from a monopoly is not acceptable
3. Accountability: the corporation/company has a moral responsibility to give correct information to its directors and shareholders. The responsibility of the corporate sector to the consumers is to give him a quality product at a reasonable price (not an adulterated product).
4. Concern for the locality: Every company has the responsibility for the area where it is located. It has to help in social welfare activities for the people in that locality, e.g. running schools (for children of employees), hospitals, recreational facilities, employment for locals.
5. Attitude to labour: Employees should not go on strike for flimsy things but should feel responsible for the good of company and people. Employers should keep in mind the need of the people. They should not treat employees like slaves.

These are but a few practical ways to achieve the ethical imperatives. Religion also plays an important role here. All people of good will should strive to

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<sup>180</sup> G. K. Sundaram, "Aspects of Business Ethics," *Corporate Ethics*, Theophane Mathias ed. (Jamshedpur: Allied Publishers Limited, 1994), 126-128.

realize the ethical imperatives by following these practical ways, which will bring about justice and equality in this world marred by injustice and inequality.

## CONCLUSION

I set out on the journey to discover the ethical standards in economics. As I conclude this endeavor, I can truly stress the strong interrelation between ethics and economics. Economics cannot be value-free. From the earliest economists like Aristotle and Kautilya till present day economists like John Maynard Keynes and Amartya Sen have all been concerned with the welfare of people. In the wake of economic globalization economists are increasingly becoming aware of the need of ethical standards in economic policies. The Gandhian principle that commerce without morality will be a failure is increasingly accepted in economics today. Chinese economist Stephen Rothlin, s.j. substantiates this point by saying

Many economies across the globe, especially in the wake of the series of recent corporate scandals, share in this endeavor towards ethics, in which the urgency can be compared to that of obeying traffic rules. The disregard of ethical rules will prove more disastrous than a car accident.<sup>181</sup>

During the past twenty years economists have proved that the theoretical instruments of their science can also be mobilized for honourable goals. Of course the ruthless pursuit of efficiency, possibly at the expense of people who are exploited or who are threatened by unemployment, is strongly objectionable, but efficiency in poverty relief and in the creation of opportunities for people lacking hope has to be praised. New approaches like public choice theory, participatory econometrics which are more pro-people are gaining ground in economics today. I feel optimistic towards these developments.

On the other hand, globalization with its dehumanizing propaganda has become one of the biggest ethical issues today; it is a challenge for all of us. It is easy to give oneself peace of conscience by condemning it as evil. But that is neither enough nor a correct way of proceeding. It is true that globalization has been vicious in many ways and it has marginalized poor, women, Dalits and tribals. But we need to accept the fact that it is an irreversible phenomenon. It is useless to waste our time and energy opposing it. What we need to do is to give this schizophrenic globalization a humane face so that justice and equality may prevail everywhere. The enlightened citizen groups have the collective responsibility to set right market abnormalities and

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<sup>181</sup> Stephen Rothlin, *Becoming A Top Notch Player: 18 Rules of International Business Ethics* (Beijing: Peking UP, 2004), 8.

the state's conspiracy with market forces. The citizens should globalize hope for the bright future and strive for a system, "where there is an alliance between free market and solidarity, to provide a type of development which safeguards life, protects people – particularly poor and the outcast and respects the environment, which is God's work." (Pope John Paul II)<sup>182</sup>

Each person has to find his/her own way of achieving the ideals of *Sarvodaya*, classless society, ethical responsibility for the other or liberation of the people of the periphery. There are practical ways to achieve these ideals such as rural development, environmental ethics, empowerment of women, Dalits and Tribals, emphasis on Business ethics, etc.

Indeed we need to respond to the present economic situation in a way similar to that proposed by Mahatma Gandhi:

Recall the face of the poorest and the weakest man whom you may have seen and ask yourself if the step you contemplate is going to be of any use to him, will he gain anything by it? In other words, will it lead to self-reliance for the hungry and starving millions? Then you will find your doubts and your self melting away.<sup>183</sup>

We are here to show the world that 'another world is possible.' We do not lack strength; we lack will. We need to make resolution similar to that made at the Asian Bishops meeting of 1970:

We resolve to have the courage to speak out for the rights of the disadvantaged and powerless, against all forms of injustice, no matter from what source such abuse may come; we will not tie our hands by compromising with the rich and the powerful in our respective countries. We resolve to make our special concern the lot of workers and peasants.<sup>184</sup>

"It is high time that the ideal of success should be replaced by the ideal of service,"<sup>185</sup> as Albert Einstein put it. For "no one can be perfectly free till all are free; no one can be perfectly moral till all are moral; no one can be perfectly happy till all are happy." (Herbert Spencer)<sup>186</sup> It is the time to realize that our true nationality is

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<sup>182</sup> A. P. Sebastian Titus, "Impact of Globalisation on Agriculture Sector," *Ethics of Economics: Philosophy Symposium* (Chennai: Dept. of Philosophy, Sacred Heart Seminary, 2004), 48-49.

<sup>183</sup> Anthuvan, 32.

<sup>184</sup> *Ibid.*, 37.

<sup>185</sup> Value quotes online, *Value Quotes*, 2 Jan 2005, 12 Manage, 15 Jan. 2005, <http://www.valuequotes.net/index.html>.

<sup>186</sup> Seldes, 675.

humankind. We need not only philanthropists, but practical philosophers who will go at the root of economic problems and come up with proper solutions which can be implemented.

Plato has summed up the ethics of economics in the best possible manner in Socrates' apology in the following words of Socrates:

I do nothing but go about persuading you all, old and young alike, not to take thought for your persons or your properties, but first and chiefly to care about the greatest improvement of the soul. I tell you that virtue does not come from money, but that from virtue comes money and every other good of man, public as well as private.<sup>187</sup>

“Poverty should be eliminated! Women should be liberated! Injustice and inequality ought to be abolished! Justice, equality and peace should be ushered in! Economics should be made more ethical!” This should be our battle cry and our combined and concerted efforts ought to be directed towards the accomplishment of this noble ideal.<sup>188</sup>

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<sup>187</sup> Ibid., 669.

<sup>188</sup> I use the normative language in my concluding words because I feel these are obligatory demands on all of us as the citizens of this world.

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