

## **THE RELATIONS BETWEEN ETHICS AND ECONOMICS: A COMPARATIVE ANALYSIS BETWEEN AYRES' AND WEBER'S PERSPECTIVES**

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### **The Rules on Ethics and Economics: a Love-Hate Relationship**

Sider points out, “As the Lord of history, God works now – with and through human co-workers– to create more wholesome economies that respect and nurture the dignity and worth of every human being”. This means, in some way, that economics and ethics should be walking hand in hand. However, the current situation seems to show a very different picture. In fact, the common notions of economic development, with their logic about the increase of wealth, sometimes at any cost, often generate a break between economics and ethics. The recent global economic crisis is an example of this break, where many have been able to observe, through different business practices, how damaged the moral values are in great part of our societies. Then, it seems that serious reflections about ethics and economics, morals and business, should take place.

In this context, the purpose of this article is to reflect about how these parcels have been interweened in the past, in order to get insights of how could establish and guide their relationships in the future. For that, we will reflect on the relationships that they have maintained in the past, focusing the attention on the rules that have served to forming the structural framework in which they have worked. In the economic model of the laureate Nobel price Douglass North (1990) rules are a key variable that influence the “way of reasoning”, that is, orienting us in some way what to do or not to do in our economic relations and exchanges. Since others will be affected by our actions and decisions, they will be necessary embedded in a moral space. Specifically, such reflection will take place taking as references two classic texts written by two of the most relevant authors of the twentieth century in these topics: Ayres’ essay, *The Nature of the Relationships between Ethics and Economics* and Max Weber’s work, *The Protestant Ethic and the Spirit of Capitalism*.

### **Similarities and Differences in Weber and Ayres’s view on ethics and economic**

The two works selected in this article have, in the light of the relationships on the variable “rules” in ethics and economics, similarities as well as differences. As far as the similarities are concerned, Ayres and Weber share the opinion that ethics and economics, in terms of general rules, are called to live

together in a friendly relationship. This is one of the clearest common ideas that could be derived from their respective essays.

On the one hand, Ayres' review of the most important contributions in both sciences during the later nineteenth century sheds light on how some ethicists, in occasions, found themselves dealing with economic issues and vice versa – economists arguing about moral issues. Specifically, regarding the ethic rules, Ayres realizes as one of the parcels included in the science of ethics “to propound a theory of what things are good and what acts are right” (Ayres, 1). However, while the answer to the question “What ought I to do?” has been traditionally found in an analysis of the process to which the word “ought” refers from a theological, metaphysical or psychological perspective, the main point of the author is that the answer should be sought in the current conditions of social life (Ayres, 1). His argument is expressed as follows: “In order to put more meaning into human existence, to make of it a more orderly and less futile thing than it has ever been, we shall try first to understand the meaning of the life we are now leading” (Ayres, 2). This, inevitably, turned the center of the attention from seeing the ethical rules from theoretical musings and scientific discernments among ethicists, to seeing them through practical lens by observing and analyzing what happened in the socio-economic reality. In this way, Ayres challenged the general assumption that ethic rules should come from the field of ethics, and proposed that they should find its reason of existence in the present socio-economic life. Ethics and economics found in this way a starting point for more open relationships. In terms of economic rules, Ayres goes on challenging the traditional doctrines. His deliberations seem to want to stress the fact that the existence of economic rules born from scientific deliberations and doctrines do not guarantee their social efficiency in the practice (Ayres, 29-31). In this sense, he emphasizes how Adam Smith's new political economy, based in the idea of “laissez faire”, “natural order” and the “guiding hand”, took place in order to attack the unjust economic situation present in the social life of the epoch (Ayres, 31-32). Again here, one finds economics and ethics linked and walking in their progress hand to hand.

On the other hand, in the case of Weber's essay, the whole work is based on the assumption that there is a close relation between ethics and economic rules. In fact, Weber opens his essay by arguing that the impulse to acquisition, pursuit of gain, and search increase the wealth -which have been, in great part, the logic underlying in the economic rules-, has been common to all times and places, as well as to all kind of people –e.g., waiters, physicians, artists, nobles, beggars (Weber, xxxi). Accordingly, economic issues and economic rules cannot be understood as isolated systems. They, in contrast, form part of a bigger system, which is the cultural one. Within this cultural system, Weber places specifically the religious traditions of Protestants, and connects the ethic involved with their beliefs with the emergence of the modern economic capitalist system

(Weber, ch. 2). Hence economics and ethics rules are viewed as an connected reality which finds expression in the multiple interactions that take place among individuals who live their lives playing many different roles –e.g., religious person, business people, head of families.

A second aspect in which Ayres' and Weber's works show similarities has to do with the recognition that the intimate link between the rules in economics and ethics areas, as they perceived, had not often been evident in the popular scene. For instance, just the title of Weber's book generated certain controversy among the scholars of his time, because he joined two ideas that had commonly been considered great antagonists –religious and economic (Weber, vii). In Ayres' work, it is explicitly realized that ethics and economics, moral and business, at least during the nineteenth century, were seen to belong to two separate spheres of life, private and public, respectively (Ayres, 47). As Ayres noted, "There is a parallel to this in the temporal limitation of ethics to the seventh day, economics holding sway through the six days of the working week" (Ayres, 48). The roots of the distinction, the author explains, are found in Pauline theology. Especially, in his idea of a man leading two lives, one in the present world –which has to do with the economic view– and the other in the world to come –linked with ethical issues (Ayres, 47). Nevertheless, as Ayres realized, "Christian theology has never recognized the affairs of this world as outside the field of Christian ethics. On the contrary, the only significance of the gospel of the other world is to bring the whole life under the jurisdiction of the church" (Ayres, 49).

### **The Sources of the Rules**

A second aspect that is worth comparing in Ayres' and Weber's essays in terms of the variable "rules" is related to the kind of rules that they consider. In this respect, both works present important divergences. For Ayres the focus is on formal rules, that is, those laws designed by scholars and experts in order to affect directly specific human behaviors. In contrast, Weber's attention is on unwritten rules, that is, the codes of conduct embedded in the culture of their own society, which could be identified as informal rules<sup>1</sup>.

Specifically, in Ayres' study, the center of the analysis lays in the reasoning that ethicists and economics scholars followed in order to create the economic and moral rules that structured and guided the human exchanges in the socio-economic life of the nineteenth century. The basic assumption is that the behaviors of human beings are determined, in part, for the formal rules that exist in the society. The problem comes when rules of different nature –economic and ethic rules– promote different –sometimes opposite– behaviors in the individuals. This is, specifically, what the author stresses when he made his review on the ethical and economic rules, the former addressed to guide the morality in the

individuals' actions (Ayres, ch. 1), and the later to control specific economic behaviors (Ayres, ch. 2). In addition, both could serve as influence in the design of other legal rules.

For instance, Ayres highlights the influence that the Ricardian economics<sup>2</sup> had in the reconstruction of the legal system of England. Specifically, according to the author, the economic utilitarian rule, which treats to promote the greatest happiness of the greatest number, was one of the main rules applied to the field of jurisprudence (Ayres, 39). In the field of ethics, the rules were supposed to deal with the idea of achieving a possible human perfection (Ayres, 9), establishing some guides more concrete than those provided by the “Golden Rule” (Ayres, 16). However, as was noted in the previous section, traditional ethicists often denied any intention of supplying rules for applying directly to the human conduct, arguing that they should be focused exclusively in establishing moral principles (Ayres, 3). Ayres refutes this idea by pointing out that “ethics is not an abstract speculative science, engaged in establishing «Laws» definitive of moral judgment. It is rather the scientific treatment of moral problems” (Ayres, 19).

The power of this kind of formal rules that Ayres deals with rests not only on that they are consciously devised by human beings, but also on that they are devised for influencing intentionally future human behaviors. As Ayres explains “a rule saying that if such-and-such be true, then such-and-such must be true; if such-and-such a situation be present, then such-and-such things will happen; if we do thus-and-thus, then certain storable consequences may be expected” (Ayres, 56).

For analyzing Weber's work in terms of the kind of rules that he treats, one has to look beyond the concept of formal rules observed in Ayres' essay. For Weber is focused in the codes of conduct under which people live, and develop exchanges in the economic arena. Weber considers that the social interactions and, in particular, the entrepreneurial actions, have place within a particular way of life (Weber, ch. 2). It would mean that people, in their normal interactions act following certain unwritten rules –codes of conduct, norms of behaviors, and conventions–, which impose constraints upon themselves and, in some way, give structure to their relations.

The basic assumption in Weber's essay is that human behavior is regulated by informal ways, which represent specific set of ethics and values accepted by a society (Weber, ch.1). The ethics and values that as informal rules influenced the economic life were the main interest of Weber's work. In particular, as was noted in the Introduction, he figured out a connection between the Protestant Ethic and the emergence and initial development of the economic capitalistic system. Concretely, the “unwritten rule” that he stressed was found in the idea of “asceticism”, which had been restricted, until the Protestant Reformation, to the monastic life in the Catholic tradition (Weber, 71). As Weber explains, “When

asceticism was carried out of monastic cells into every-day life, and began to dominate worldly morality, it did its part in building the tremendous cosmos of the modern economic order.... Victorious capitalism, since it rests on mechanical foundations, needs its support no longer... the idea of duty in one's calling prowls about in our lives like the ghost of dead religious beliefs" (Weber, 123-124). It does not mean that that lifestyle were the only force that explain the emergence of capitalism, in the form that we could know today. In contrast, as Weber explicitly points out, "The development of economic rationalism is partly dependent on rational technique and law". However he also realizes that, "the magical and religious forces, and the ethical ideas of duty based upon them, have in the past always been among the most important formative influences on conduct" (Giddens, xxxix). Put it differently, it means that the power of unwritten rules in forming the human behavior, included the economics one, is explicitly recognized through Weber's works as one of the most important forces of the social and economic life.

### **Some Final Remarks**

The previous discussion illustrates the complexity of the relationships between ethics and economics. Their overlapping in many issues, and contradictions in others, show how challenging has been the search for a common agreement between followers of one and another perspective. However, the history seems to address the issue towards the existence of a normative framework where ethics and economics rules, moral and business issues, walk and evolve pacifically in a close cooperation. In fact, as Ayres recognized economics is ethics in some manner, and ethics has also an economic function when it is embodied in worldly practices (Ayres, ch. 2). We would also add that persons are economics and ethics at the same time, and are guided for both rules whether implicit or explicitly. For these reasons, we believe that the best approach would not be found by adopting any extreme position –being only ethicists or only economists- but in a synthesis that reconciles the truth of both. This process of reconciliation has already started but, without any doubt, there is still a long road to walk.

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<sup>1</sup> The effects that rules –whether formal rules as laws, or informal rules as codes of conduct- have in human behaviors and especially economics exchanges have been amply analyzed by the Nobel prize in Economics in 1993, Douglas C. North (see, for instance, North, D.C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge Economic Press).

<sup>2</sup> Ricardo is essentially of the school of Smith, whose doctrines he in the main accepts, whilst he seeks to develop them, and to correct them. But he excluded all problems of welfare and of social reform from the economist's sphere of influence (Ayres, 34).