The relationship between economics and ethics and the light Dooyeweerd sheds on it

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Abstract. Recently there is something going on named ‘the revival of economics as a moral science’. Economic science is no longer conceived as independent of ethics, but should take moral philosophy seriously. At the same time many discussions in the field of economics and ethics exist by the grace of economic-ethical difficulties. Economics and ethics are led by own principles and consequently often conflict. In this essay, I examine the tense relationship between economics and ethics in the light of Dooyeweerd's philosophy. What are according to him the preliminary questions to solve economic-ethical dilemmas? I will argue that he first of all attaches importance to the question which societal structures are at stake. Besides, I will show that Dooyeweerd conceives economics as a value-laden science that should direct itself to ethics in a process of disclosure. Like ethics, economics is a normative science.

1. Introduction

That there exist intersections between economics and ethics cannot be passed over in silence. They are usually discussed under the heading of ‘economics and ethics’, ‘normative economics’ or ‘welfare economics’. Recently there is even something going on named “the revival of economics as a moral science” (Peil & Van Staveren 2009: xvi). It refers to the initial rise of classical economics as a branch of moral philosophy, the marginalization of the ethical dimension in neoclassical economics and nowadays a renewed interest in the relationship between economics and ethics. Others have used related slogans like “the revival of political economy” (Bowles & Gintis 1993) and “the collapse of the fact/value dichotomy” (Putnam 2002, 2003) in economics. In my opinion these ideas give rise to the rejection of a narrow value-neutral and positivist conception of economic science in which economics and ethics have nothing to do with each other. Recently various authors have indeed stressed the importance of ethics for the economic science. Daniel Hausman and Michael McPherson (2006) for example argue that moral philosophy can enrich economic theory and to some extend is already implicitly part of it. Economists should therefore take ethics seriously. Amartya Sen (1987), in turn, emphasizes that economists should pay greater attention to ethical considerations that shape and affect economic behaviour.

Still the relationship between economics and ethics should not be portrayed too positively. In my opinion, economic and ethical considerations are led by own principles and consequently often conflict. Ethics may be “busy cross-breeding with economics in creative ways” (Hands 2001: 399), but there is also a tense relationship between both. Discussions on for example income distribution, property rights, taxation, minimum wages, global poverty and so forth above all take place because of an economic-ethical
difficulty. At first sight economists and ethicists have their own interests, for instance efficiency versus justice. I believe that, in view of these tensions, the field of economics and ethics (i.e. the intersections between economics and ethics) is in need of a philosophical reflection. Such a reflection should at least lead to clear definitions of economics and ethics and an exposition of their leading principles, scope and limitations.

I believe an interesting philosophical framework to examine the relationship between economics and ethics is offered in the reformational ‘philosophy of the cosmonomic idea’ of Herman Dooyeweerd. An obvious question is why we would pay attention to such a relatively unknown and outspoken Calvinist Dutch philosopher. Well, thus far I have not come across a more useful and comprehensive philosophical theory of reality that enables to relate, among others, economics and ethics. Besides, this philosophy could be a fruitful starting point to discuss complex value-laden issues as it departs from very elementary facts of general experience. For these reasons I will introduce relevant parts of Dooyeweerd’s work to clarify the relationship between economics and ethics. In section 2 I discuss respectively Dooyeweerd’s philosophy, his conception of economics and ethics and the relationship between both. I will subsequently apply his ideas to two cases in economics and ethics in section 3. The main question I would like to address is what according to Dooyeweerd the relevant preliminary questions are in order to solve economic-ethical dilemmas. In this essay I will draw Lionel Robbins’s conception of economics into the discussion as well, since there are many similarities between these contemporaries (Garcia de la Sienra 1998, 2009). It not only clarifies Dooyeweerd’s ideas, but also makes clear where they diverge in their view on ethics.

2. Dooyeweerd on economics and ethics

2.1. Dooyeweerd’s philosophy in a nutshell

Before passing to Dooyeweerd’s view on economics and ethics, I will first provide a general sketch of his philosophy.¹ His *magnum opus* *A New Critique of Theoretical Thought* consists of three volumes, which roughly deal with respectively his epistemology, ontology and social philosophy. The basic idea of the first book (1953) is the distinction between a naive pre-theoretical experience and a scientific theoretical analysis of reality. Only through the latter reality appears to split up into various modal aspects (from *modus*, ways of being), which are originally indissoluble interrelated as a cosmic, ordered coherence. The aspects that Dooyeweerd distinguishes are the numerical, spatial, kinetic, physical, organic, psychical, analytical-logical, historical, linguistic, social, economic, aesthetic, juridical, moral and pistic aspect. In the second book (1955) Dooyeweerd argues that each of these aspects is defined by a so-called meaning kernel that characterizes it, which can only be determined intuitively and cannot be reduced and redefined to other ones. At the same time later aspects in the

¹ Of course I cannot go into detail here. A clear introduction can be found in Kalsbeek (1975), but also Dooyeweerd (1960).
above-mentioned summation presuppose all earlier, preceding ones to make sense. The kinetic aspect of reality for example cannot exist without a numerical and spatial aspect. Furthermore each of the aspects has its own modal laws that as it were form a modal law sphere. Up to the analytical-logical aspect inviolable natural laws apply, whereas the later aspects are ruled by violable norms. The latter normative standards require human actualization in which they are recognized and realized by man. Ideally, earlier aspects disclose or direct themselves in an opening process to later aspects so that they are brought to a higher level without being abolished. We will see examples of this process below. In Dooyeweerd’s third book (1957) several structures of reality are analyzed in terms of their aspects or functions, which determine the laws and norms to which they are subject, their qualifying mode of being and so forth. Throughout A New Critique runs one crucial conviction: everything we experience in reality functions in or ‘possesses’ all aspects. There is no subject, object, structure or problem that can be reduced to one of the aspects.

The foregoing ideas become clearer when we apply them to economics and ethics. I will deal with them separately in the following subsections, starting with economics. In the remainder of this essay I will refer to several aspects and structures of reality which are shown in the above figure 1. It lists the various modal aspects again and relates to them some example structures of reality in terms of their subject-functions (to be explained below).

2.2. **The economic aspect of reality**

Above all, Dooyeweerd conceives ‘the economic’ as merely an aspect of reality. The economic *an sich*, in other words, does not exist. Economist Robbins, who speaks of an economic aspect as well, in this respect distinguishes between a classificatory conception of economics in which certain kinds of behaviour are marked off as economic
and an analytical one that “focuses attention on a particular aspect of behaviour” (1935: 17). Dooyeweerd furthermore argues that everything (or everyone) that exists has, besides all other aspects, an economic way of being. More precisely, it can have a so-called economic subject-function, object-function and qualifying function. In the first case something has an economic aspect by itself as one of its functions (e.g. human beings, firms, households, etc.). This is to say it is subject to the norms and characteristics of the economic aspect. In the second case something is an object of economic valuation (books, flowers, etc.). Note that the second case also applies to instances of the first case; in theory human beings may be an economic object. Finally, something can have an economic qualifying function. In this case its most characteristic or guiding function is the economic (firms, households, markets, etc.). The same holds true for coins, banknotes and so on, which do not have an economic subject function - their highest subject function is the physical aspect - but are nevertheless qualified as economic.

Yet only in a theoretical analysis of reality the economic aspect is recognized as such and in particular the economic science analyzes the abstracted idea of ‘economy’. Dooyeweerd and Robbins agree on the idea that there is no such thing as economy without social interaction. Or as Robbins formulates it: “from the point of view of isolated man, economic analysis is unnecessary” (1935: 18). Dooyeweerd, however, believes the economic aspect only makes sense by virtue of all the foregoing aspects from the numerical up to and including the social. He moreover argues that a theoretical analysis reveals that the scientific meaning of economy is “the sparing or frugal mode of administering scarce goods, implying an alternative choice of their destination with regard to the satisfaction of different human needs” and “demands the balancing of needs according to a plan, and the distribution of scarce means at our disposal according to such a plan” (1955: 66). Sparing and frugal here refer to “our awareness that an excessive or wasteful satisfaction of a particular need at the expense of other more urgent needs is uneconomical” (idem).

In Dooyeweerd’s definition of economy four components of the economic problem can be recognized, to wit (Garcia de la Sienra 1998: 183):

1. human needs/ends of a different urgency/importance,
2. scarcity of the available means to satisfy/achieve (1),
3. alternative choices of the destination of (2),
4. frugal/efficient choice regarding (3).

Take notice that Robbins distinguishes nearly the same components and calls the choice in (4) the economic aspect. An individual who faces a problem in the form (1)-(3) has to choose or economise. Robbins defines economics in a well-known sentence accordingly as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (1935: 16). For Dooyeweerd the most crucial term in (1)-(4) is frugality, “the avoidance of superfluous or excessive ways of reaching our aim” (1955: 67), which he regards to be the meaning kernel of the economic aspect.
It enables him to speak of uneconomical behaviour, namely whenever it violates the norm of frugality.

Dooyeweerd believes this economic principle should be given positive content by economists in accordance with time and place. This means that economics is not merely empirical, but should also take its normative nature into account. After all, the economic problem in (1)-(4) involves value-laden concepts as importance, scarcity, choice and frugality. Robbins agrees that economics deals with the valuations of economic individuals, but underlines throughout his Essay that economics is not concerned with means and ends as such. It rather studies for individuals “how their progress towards their objectives is conditions by the scarcity of means” (1935: 24). Apparently economists treat valuations as facts. Robbins himself calls this approach “purely behaviouristic” (1927: 174-175).

2.3. The ethical aspect and its relation to economics

It is remarkable that both Dooyeweerd and Robbins do not refer to money or wealth in their definition of economics. They rather present economics as a form of analysis of the “relationships between ends conceived as the possible objectives of conduct, on the one hand, and the technical and social environment on the other” (Robbins 1935: 38), which generate the available means. This makes Robbins argue that economic rationality does not involve the idea of ethical appropriateness. Dooyeweerd seems to agree to this when he states that in the economic law sphere man is subject to specific economic norms instead of moral norms. Economic norms have to be distinguished from ethical ones and as a consequence uneconomical behaviour is not necessarily unethical. However, I will show that this is only part of the story for him.

Alike the economic, Dooyeweerd conceives the ethical as an aspect of reality. Again only theoretical analyses make clear that everything can have an ethical subject-function, object-function and qualifying function. Dooyeweerd further defines the meaning kernel of the moral aspect quite narrowly as love. “There can be no single really moral ‘virtue’”, he states, “which in the last analysis is not a manifestation of this modal nucleus of the ethical law-sphere” (1955: 152). Ethics is not an autonomous and super-temporal system of morality, but concerned with various manifestations of love and lovelessness (from neighbour love to patriotism). How love is defined depends inter alia on the relationship between the economic and ethical aspect.

How does Dooyeweerd think of the relationship between the economic and ethical aspect? First of all the economic and ethical appear to refer to each other. Interestingly, the ethical aspect in Dooyeweerd’s philosophy presupposes among others the economic aspect. Among others, because the ethical aspect requires all preceding aspects, of which most prominently the economic, aesthetic and juridical. The aesthetic meaning kernel of harmony requires the non-superfluous, non-exuberance and non-luxuriance character of frugality, whereas the juridical meaning kernel of retribution or retaliation relies on the economic and aesthetic “well-balanced harmony of a multiplicity of interest, warding any excessive actualizing of special concerns detrimental to others”
(1955: 135). That the ethical itself depends on the economic “is revealed in the just distribution of the sacrifices demanded by love with respect to the different moral duties” (1955: 161). On the other hand the economic aspect already refers to the later ethical aspect and “acquires a positive relation to morality” if “the frugal manner of administering scarce things in their alternative destination for the satisfaction of human needs (...) is directed by love towards our neighbour” (1955: 153). Love is thus partly defined in terms of the meaning kernel of both the economic, aesthetic and juridical aspect.

Yet on the basis of Dooyeweerd’s already-mentioned idea of disclosure there is more to say about the relationship between economics and ethics. In his opinion, cultural development implies the deepening of the post-historical linguistic, social, economic, etc. aspects to later ones (i.e. higher in figure 1). This also holds true for the associated sciences. By taking into account aesthetics, law, ethics and faith in economics, the last-mentioned is brought to a higher level. Economic theory that lacks attention for ethical questions is as a consequence still primitive. It is clear that as from this point Dooyeweerd differs from Robbins. The latter is often cited as an opponent of economic science wedded to ethics. “It does not seem logically possible to associate the two studies in any form but mere juxtaposition”, Robbins remarks, as “economics deals with ascertainable facts; ethics with valuations and obligations” (1935: 148, cf. 1927). Although Dooyeweerd agrees that the autonomy of both economics and ethics should be maintained, he does not leave valuations and obligations to the latter.

In Dooyeweerd’s work three reasons can be found why economists should be committed to ethics. First, both economics and ethics have an own sphere of norms and with that valuations. Whereas Robbins believes the economic science is positive and the economic principle of efficiency involves an ‘is’, Dooyeweerd conceives economics as normative and frugality as an ‘ought’. Second, Dooyeweerd rejects so-called ‘pure economics’ and ‘ideal-type’-based economics which, he believes, lose sight of total reality. Economic theories are not merely an abstract form of analyses without empirical content, but should take into account the societal relationships in which economic behaviour is embedded. This means that economics should rely on sociology that studies and clarifies the social structures of society (Dooyeweerd 1949). Moreover, economic behaviour itself is shaped by several non-economic factors including ethical values. It is for this reason Dooyeweerd averts from the “idolatry of the abstract individualistic idea of the ‘homo economicus’” (1955: 361, cf. 1979). Third, the disclosure of economics is not wertfrei but coloured by the ‘religious’ outlook, as Dooyeweerd calls it, of the economists. After all, when economics zeros in on ethics the ethical and religious convictions of the economists comes into play. Dooyeweerd believes there is simply no value-freeness of thinking in both sciences.

3. Two cases in economics and ethics

Now that I have discussed parts of Dooyeweerd’s philosophy, his ideas can be applied to two exemplary cases in economics and ethics. I hasten to add that this attempt is partly
extrapolation and thus speculative. On the other hand I am not necessarily interested in Dooyeweerd’s solution to these problems as such, but in showing how to analyze them from a ‘Dooyeweerdian’ point of view. How can Dooyeweerd’s theory of the modal aspects and structures of reality in other words be applied to the field of economics and ethics?

3.1. Ethical limits of the market

The first case concerns the ethical or moral limits of the market. In economics, the market is regarded as an “arrangement whereby buyers and sellers interact to determine the prices and quantities of a commodity” (Samuelson & Nordhaus 2001: 769). Robbins emphasizes that commodities or economic goods in this definition actually do not exit, since their conception is necessarily purely formal. Whether a thing or service is economic depends entirely on its scarcity relative to the total desired amount, which in turn is based on psychological valuations. This raises the question if any thing or service may be commodified on the basis of sufficient demand. Are there any exceptions where the scope of the market is limited by moral convictions? An example of this debate is the case of commercial surrogacy or contract pregnancy (e.g. Anderson 1993 and Satz 2010). The question is whether it is ethical to have a market for surrogacy; reproduction by paying a(nother) woman to become pregnant and bear a child. From an economic point of view such a market encourages women to offer their reproductive labor in reaction to existing demand and leads to price coordination. Given that there is demand for commercial surrogacy and a market would be efficient, should its commodification be allowed?

The first question Dooyeweerd would possibly ask (henceforth I express his ideas) is about which individuality structures of society we are talking. It is evident that commercial surrogacy primarily involves a ‘natural’ father, a ‘natural’ mother, a so-called surrogate mother, a child and an economic market. Conception, pregnancy and child bearing are capabilities that are typically connected with the biotic aspect, which is one of the subject-functions of human beings. At first sight it does not seem unnatural or uneconomical to exchange such a biological functioning. In terms of biotic natural laws the possibility of surrogacy implies its naturalness. The example of flowers, which have both a biotic subject function and qualifying function, shows that biotic characteristics can have an economic object function as well. However, the begetting of children should not be regarded as a coincidence of casual passers-by. In general, parents and their minor children form a natural family community, which shows a typical biotic foundation and moral qualifying function. Precisely the fact that the communal tie between parents and children is genetic and based on intersexual procreation make the biotic the foundational aspect (or earliest subjection-function) of the family. Yet the leading function of the family is not biotic but moral, since the communal bond of the family is - or at least should be - love. Here love should not merely be regarded as the

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2 To be complete it should be noted that Dooyeweerd states that the communal bond of marriage is the presupposition of the family. However, I will not take this into account here.
abstract meaning kernel of the moral aspect as if it exists independently, but as a typical bond of parental love between parents and children. For "its moral normative typicalness of meaning is not to be understood apart from its typical biotic foundation" (1957: 270).

On the basis of the foregoing, commercial surrogacy does not seem unethical. As long as empirical research does not point out that parental love and partner love (in both families) are systematically disordered by commercial surrogacy, there is no immediate reason to reject it from an ethical point of view. It can even be argued that commercial surrogacy discloses a possibility for parental love to a child that otherwise had not been there. This does not alter the fact that there still may be personal values that hinder an economist or ethicist to accept moral surrogacy. This after all may be the consequence of a disclosure of the economic or the ethical towards the pistic aspect.

There is moreover another ethical problem that reveals itself in the economic aspect of the family. In this subject-function the family is regarded as a classical household, “an economical unity concerned with providing man with the basic material means of well-being” (1957: 202). The economically qualified household is a non-natural society structure that is founded in the historical aspect. This means that it is a historical and cultural phenomenon and does not have a direct relation to the biotic aspect of procreation. Nevertheless, it can be a question whether households behave economical if they spend their money on commercial surrogacy or earn money from it. Even if such families themselves behave economical with respect to frugality, available surrogate mothers may be scarce such that prices rise and other families will no longer be able to contract a surrogate mother. This would imply that some parents are able to ‘buy’ children and express their parental love, whereas other parents are not. Although this economic inequality is not necessarily uneconomical, it might in certain circumstances be unacceptable for economists who involve the ethical principle of neighbour love in their analyses. Culturally developed societies disclose their economic activity in an ethical direction so that the norms of love are not violated.

3.2. **Corporate social responsibility**

The second case concerns corporate social responsibility (CSR). Although the definitions and themes of CSR are countless (Carroll 1999), it apparently concerns the responsibility of corporations, business and firms for social ends. Social responsibility could both involve the promotion of desirable social ends, for instance improving the quality of life of employees and customers and contribution to sustainable economic development, and prevention of undesirable social ends, such as eliminating discrimination and avoiding pollution. The main question in the debate on CSR (e.g. Bowen 1953 and Friedman 1970) is whether corporations, in particular in a capitalist free-enterprise and private property economy, have social responsibilities and if so which ones. But more general; is Milton Friedman right with respect to the first question that the (only) social responsibility of business is to increase its profit?
Following Dooyeweerd again, the relevant individuality structures should be distinguished first. Although there may be many parties involved, it is sufficient to focus on an enterprise, its entrepreneur, its employees, its customers and society as a whole. According to Dooyeweerd, enterprises should not be guided or ‘locked in’ by the state because of their sphere sovereignty. The idea “that business should only serve the provision of the nation’s needs” is incorrect as “it is the economic business function in which free-enterprise finds its destination” (1963: 201, my translation). After all, the enterprise is founded in the historical aspect and has an economic qualifying function. The former implies that the non-natural “free-enterprise is the result of a historical differentiation process, whereby it is enabled first to unfold its own inner nature and own law of life” (idem). Due to the enterprise’s economic guiding function, governments should in principle not interfere with it. Although making profits is “as such a complete justified reward for the particular economic services which entrepreneurship provides to society”, it is “per se false that the pursuit of profit would be the very characteristic goal of free-enterprise” (1963: 201-202). Though profits are necessary for enterprises in order to survive, the making of profit is not an end in itself. The first objective of an entrepreneur is rather to make his enterprise grand and successful. This could imply that his (or the stakeholder’s) individual interest does not correspond to the interest of the enterprise.

The social aspect plays a role in this case as well, since enterprises are not isolated but embedded in society. Above all the enterprise depends on a social environment. This not only follows from the fact that an enterprise needs employees and customers, but also that economy itself requires social interaction and norms. For “conventional or ceremonial economy is not found in primitive society, but in developed social life only” (1955: 67). It is for this reason that the enterprise as a structure has a social aspect. Besides this dependency, which should be esteemed by the entrepreneur, there is another ‘obligation’ to society for the enterprise. It is not only the task of enterprises “to meet the existing needs, but also to change the schemes of human needs in formative ways, to raise the level of welfare through application of new discoveries, inventions, etc.” (1963: 202). That is to say enterprises have a cultural duty as well.

In sum, enterprises have a typical economic destination that commits them to a sparing or frugal attitude. However, the economic behaviour of entrepreneurs not only consists of profit making, but should also take into account the societal context in which the enterprise is embedded. Only in this way the sustainability of the enterprise and the society as a whole is not threatened. Economic (optimization) problems after all can never be separated from social questions. Profits for example are in the end always related to the income of employees or prices for consumers. Yet at any rate the economic function of an enterprise cannot be subordinated to its social or ethical aspect; the enterprise is economically qualified and has an economic destination.

It appears that in Dooyeweerd’s view CSR is a social-economic dilemma instead of an economic-ethical one. The way he understands social responsibility on the other hand is rather ethical. It is true, Dooyeweerd defines the meaning kernel of the social aspect narrowly as interaction, but the social and economic aspects of the enterprise
ideally disclose themselves in an ethical direction. An enterprise in a developed society has ethical responsibilities, for example to provide sufficient incomes for its employees and their families.

4. Evaluation and conclusions

In this essay I have summarized Dooyeweerd’s conception of economics and ethics. It appeared that he understands them as two aspects of reality, which are respectively studied by economics and ethics. The former aspect has a meaning kernel of frugality, whereas the latter is characterized by love. It should be pointed out that Dooyeweerd’s definition of economics is time-bound as well as disputed. In it the evaluation criterion of efficiency resounds, which is dominant in neoclassical economics. Efficiency is then understood as the quest for an allocation of resources that helps to achieve the most ends. It may lead to controversial cost-benefit analysis (Frank 2000). However, I think Dooyeweerd’s conception of economics is more in line with what Van Staveren calls heterodox schools of thought in economics, which “tend to use more open concepts of efficiency, related to common sense understandings of cost-saving and preventing waste” (Peil & Van Staveren 2009: 107). Quite unusual after all is Dooyeweerd’s idea that the ethical aspect presupposes the economic aspect and therefore ethics relies on economics. But there are another three points where ethics enters into economics; the meaning kernel of economics is normative itself, economic behaviour is shaped by among others ethical values and economists cannot put aside their ethical convictions.

In the last section I have tried to show how Dooyeweerd’s ideas can be applied to two example cases in economics and ethics. Although I could not go into depth - there is much more to say about these cases and important questions are still open - this exercise made clear that Dooyeweerd has to offer something new to the field. Before discussing economic-ethical dilemmas from a plurality of positions, the debates can be clarified by departing from elementary facts and aspects of general experience. Instead of being based on public opinion or taste, Dooyeweerd believes the various aspects and, related, meaning, norms and values express themselves in the observable reality.

This leads to an answer to the main question of this article: what are according to Dooyeweerd the relevant preliminary questions in order to solve economic-ethical dilemmas? I think they are the following:

1. Which societal structures are at stake, what are their founding and leading functions and what roles do the economic and ethical aspect play?
2. What is the economic and ethical side (aspect) of the dilemma, what are their principles (meaning kernel) and where do they conflict?
3. Does in the end the economic or ethical component prevail and how can the other be respected as well?

I believe the most original contribution of Dooyeweerd’s philosophy in this context is the importance he attaches to the first question. As said, the structures of society and
reality have a certain origin, meaning and destination, which are intrinsic to reality and can be traced by means of an aspectual analysis. Since the rejection of a fact/value dichotomy really applies here, there is no such thing as a value-free economic science that studies the same reality. Economics is a normative science. This is at least the light Dooyeweerd sheds on it. Of course, his philosophy can be disputed and dismissed as equally subjective. This does not alter the fact that his approach is original and offers a usable framework to discuss questions in economic and ethics.

Literature

— (1960), In the Twilight of Western Thought, Philadelphia: Presbyterian and Reformed Publishing Company.


