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Deciding ethical issues in a global economic context may be more complicated than in an earlier age, but the main concepts and terms still apply.

*Ethics* strives to answer questions such as “How should I/we decide and act?” Ethics looks for norms, values, and virtues in order to distinguish what is good and bad. Ethical behavior strives to enable a life in dignity for all. Ethics encompasses all sectors of life such as family ethics, medical ethics, political ethics, or environmental ethics.

*Economic ethics*, as one major domain of ethics, looks for value-based responsible decisions and actions in all economic activities. It considers norms, values, and virtues in the production, trade, consumption, and recycling of goods and services. Economic ethics includes three levels: the micro (small) level of individuals, private households, and small groups; the meso (middle) level of companies and organizations; and the macro (large) level of states, international institutions, and the economic systems as such.

*Business ethics* is mainly understood as ethical decisions within companies and in the relationships between companies and their stakeholders and the broader society. In North American and British areas, the term economic ethics is rather used for the macro level and business ethics for the meso and the micro levels, whereas in continental Europe and Asia, economic ethics is often used for all three levels.

Corporate social responsibility (CSR) looks specifically at the effects of business on society, in addition to the classical role within the company and its shareholders. CSR includes mandatory requirements such as economic profitability and legal obligations but also voluntary measures such as ethical codes and standards above mandatory obligations up to philanthropic social engagement. There are multiple concepts and “no consensus definition of CSR” (Crane, McWilliams, Matten, Moon, & Siegel, 2008, p. 569). CSR is enlarged to corporate social and environmental responsibility. Corporate sustainability, corporate citizenship, and socially responsible investments are related concepts. In new theoretical and practical developments, corporate social responsibility, corporate social and environmental responsibility, corporate sustainability, corporate citizenship, and socially responsible investments are integrated in a holistic view of companies' responsibility within the broader, comprehensive term corporate responsibility.

Governance and corporate governance are key dimensions within economic and business ethics looking at the governing structures of a company or an institution such as the role of shareholders, board and management, sharing and control of power, transparency and accountability of decisions. Leadership ethics and responsible leadership are part of governance ethics.

Three types of ethics are distinguished in all these fields of ethics: Descriptive ethics describes existing norms and decisions (what is) with empirical methods. Normative ethics looks for normative orientation/benchmarks/values (what should be). Meta-ethics includes the theories and methodologies in the field of ethics.

Three levels encompass all these fields of ethics: Individual ethics deals with individual decisions and actions, interpersonal ethics with direct decisions and actions between persons, and structural ethics with decisions and direct actions through institutional, legal, and structural instruments.

## Historical Development

Economic ethics is as old as humankind. Producing and trading food and other goods are immediately linked to the question of access to land and water, fair wages, prices, and just distribution. Wealth and poverty have always

been an ethical challenge. As a result, all religions deal with economic and business ethics in their holy scriptures. Especially the Bible and the Qur'ān for Judaism, Christianity, and Islam, but also the epic stories in Hinduism and Buddhism are full of values for economic decisions. Aristotelian and Confucian philosophies developed criteria of equality and justice in dealing with material goods. Throughout church history, from the Catholic theologian Thomas Aquinas to the Protestant reformer John Calvin, interest rates and fair prices have been of utmost concern. Many economists, including Adam Smith, Karl Marx, John Maynard Keynes, Milton Friedman, Arthur Rich, Amartya Sen, and Joseph Stiglitz, have built their thoughts on political economy on clear normative principles and assumptions such as freedom, community, democracy, or justice. Papal Catholic encyclicals and Protestant concepts of the social market economy since the 20th century and social entrepreneurs, social movements, and responsible investors for centuries have been forerunners of what is now called economic and business ethics. Economic and business ethics are heavily influenced by the philosophical and religious concepts of the respective period of history and by the dominant economic concepts and challenges.

Since the 1960s, three periods in economic ethics on an international and global level can be distinguished: (1) The period from 1960 through 1989 was dominated by the independency of former colonies, the first United Nations development decade with development cooperation, continued liberation struggles and the Cold War with a harsh bipolar world. The macroeconomic topics and political economy were dominant. The struggle between market and planned economy and the search for a third way led to economic ethics becoming mainly the ethics of economic systems in combination with the call of unionists for broader worker participation in decision making and first efforts toward fair trade consuming. (2) The years from 1990 to 2007 were dominated by globalization, liberalization, and deregulation of markets; fast expansion of trade, especially in emerging markets of Asia; the slogan "Trade Not Aid"; and increased efforts in sustainable business. The emphasis was on business ethics at the meso level. After the end of the bipolar world, the market seemed to be the only economic system, and the questioning of this system was not in the center of the debate. Voluntary codes of conduct and voluntary fair trade efforts increased drastically and gave some guidelines and benchmarks in a deregulated market economy. Corporate governance, corporate social responsibility, transparency, accountability, and the fight against corruption in vast international markets became key issues in economic and business ethics. (3) The financial crisis beginning in 2007—combined with the economic, political, and environmental challenges of climate change—brought back the focus on political economy; on re-regulation, especially of financial markets; and on a broad debate about a transformed capitalism, reflected in works such as "Ethical Capitalism" (Blair), *Compassionate Capitalism* (Benioff & Southwick), *New Capitalism* (Sennett), *Natural Capitalism* (Hawken, Lovins, & Hunter Lovins), and *Crisis Capitalism* (Rubini). This macroeconomic ethics, as related to individual ethics, brings up questions such as the following: What went wrong in management education? Why are these managers so greedy? How can we strengthen individual virtues?

### **Principles- and Practice-Based Approaches**

According to George G. Brenkert and Tom L. Beauchamp, three main methodological approaches can be distinguished in economic and business ethics: (1) the (mainly normative) approach from philosophy and theology; (2) the (mainly empirical) approach from social sciences; and (3) the (mainly practical) approach from experiences and cases of the various actors, such as employers, employees, consumers, legislators, development agencies or international organizations.

Is corporate social responsibility to be understood as a result of the normative principles of business ethics, or is business ethics a result of the practiced responsibility of companies toward society? Both ideas are true, and the three approaches must not be contradictory. However, they often are one-sided. Economic ethics needs more interaction between disciplines such as philosophy, theology, and the social sciences, especially sociology, economics, political science, and history. In North America and Great Britain as well as in China, practical cases of ethical dilemmas are a major instrument for decision making in the field of business ethics. This is an expression of the understanding of law based on cases. In other contexts such as continental Europe, and the Francophone and Latin world of southern Europe, there is more emphasis on standards, benchmarks, and codes, based on values and ethical principles. This corresponds to the Roman understanding of law, the state of law, and is inspired by philosophical traditions such as the Aristotelian and Kantian principle-based ethics.

### **Global and Contextual Values**

The normative understanding of economic ethics needs a careful reflection and justification of the values that build its fundament. Too often, values such as freedom or responsibility are mentioned without content and context being specified. Can economic ethics in a globalized economy be based on universal, global values, or are

values always contextual, bound to specific worldviews, cultures, and religions? Both are true, and the key question is how to combine them. The <http://Globethics.net> Principles on Sharing Values states:

*Global ethics is an inclusive approach towards common binding values, guiding principles, personal attitudes and common action across cultures, religions, political and economic systems and ideologies. Global ethics is grounded in the ethical recognition of inalienable human dignity, of freedom of decision, of personal and social responsibility and of justice. Global ethics acknowledges the interdependence of all human and non-human beings and extends the basic moral attitudes of care and compassion to our world. Global ethics identifies transboundary problems and contributes to their solution.*

*Global ethics fosters public awareness of those fundamental values and principles. They are the foundation on which the universal consensus on human rights is built. Human rights are the most tangible and legally binding expression of this ethical vision. Global ethics fosters trust among human beings and strengthens caring and action for global environmental protection.*

*Contextual ethics takes seriously the identity of persons and institutions in their local, cultural, religious, economic and political contexts. Global ethics needs to be local and contextual in order to have an impact on individual action and societal structures. On the other hand, contextual ethics becomes isolationist if it remains local and is not linked to global ethics. Contextual ethics appreciates and respects diversity in its different forms as social, political, cultural, religious, and bio-diversity. There is an enormous richness in diversity. It may decrease vulnerability and be a source of sustainability. Contextual ethics contributes to global ethics. Together they can lead to unity in diversity.*

*Global and contextual ethics are two poles which challenge each other and inseparably belong together. Global and contextual ethics have to consider power structures. Global ethics can be abused for domination over other cultures, religions and values. Contextual ethics can be abused to defend traditional privileges or power. On global as well as on local level, "power over others" tends to be oppressive, "power with and for others" tends to be empowering and nurturing.*

During the past five decades, economic globalization grew much faster than ethical globalization in terms of developing a global ethics with common values and virtues. This leads to tensions, backsliding, and fundamentalist movements. Economic/business ethics can and has to contribute to such a global ethics.

The following fundamental values are often mentioned in the context of economic and business ethics. They are considered with a global validity and, at the same time, have contextual differentiation.

*Freedom of decision* is a precondition for self-responsible behavior and entrepreneurial initiative. *Justice/equity* is based on the inalienable human dignity of all human beings and their equality independent of gender, race, religion, and intellectual or physical capabilities. Equity is an expression of the golden rule of mutuality ("Do to others as you would have them do to you"), which is common in all great value systems around the world. *Sustainability* is the ability to sustain an economic activity in the long term without destroying its natural, social, or economic basis. *Participation* is the ability to participate in the decision making of communities as an expression of personal freedom and dignity. *Care and compassion* enable human beings to recognize the needs of others as well as their own needs and to balance these needs. This leads to the balance of self-interest and the common good, which further leads to moderation. *Transparency* is a precondition for many other values such as justice equity and fair participation and for overcoming white-collar crime.

In economic ethics, as in ethics in general, such fundamental values lead to virtues for individual attitudes and behavior. Moderation, care, and compassion lead to modesty instead of greed. Transparency leads to honesty, and justice needs the virtue of courage.

Responsibility is the overall value that binds together all other values (that is one reason why corporate responsibility is the adequate expression of all values that are important for ethical business). Responsibility means to respond to those who give the mandate and power to act: the entrepreneur to the shareholders, employees, and other stakeholders; the politician to the electorate; human beings to nature and its gifts; believers to God as the giver of life; employees to employer; and so on. Responsibility also means accountability for one's own actions. The level of responsibility has to correspond to the level of power, capacity, and capability. Those with more resources bear greater responsibility for resolving problems.

## **Global Trends and Themes**

Between 1960 and approximately the year 2000, economic ethics was an interest mainly in industrialized countries, especially in North America and Europe. But the 21st century, as the century of Asia, shows that on all continents, but especially in Asia (Japan, China, India, and others), manifold concepts, cases, strategies, and publications about corporate social responsibility, corporate responsibility, and business ethics are emerging. Issues of economic ethics are discussed in movements like the World Social Forum, which started in Brazil, a leading economy in the global South. Economic ethics is also on the agenda of the World Economic Forum, which has expanded from Davos, Switzerland, to conferences on all continents. Manifold efforts for business ethics in teaching, training, and research have become visible also in Africa, Oceania, Latin America, the Middle East, and eastern Europe.

Major and upcoming themes in economic ethics and courses in economic and business ethics have become features in all business schools and are also included in other economy-related studies. Among the topics considered are fair executive compensation based on equity; fair access to natural resources; the role and ethics of new technologies, such as biotechnology, nanotechnology, information and communication technologies; the role and regulation of financial markets as a service to the whole economy; fair trade for consumers, but also in global World Trade Organization regulations; the relationship between legally binding and voluntary ethical standards and agreements; economic ethics not only for multinational companies but also for small and medium enterprises; ethics in the informal, shadow, and black market; the role of economic ethics in overcoming white-collar crime; creation and shifting of (decent) jobs as a major challenge of economic ethics; and climate justice as a central aspect of economic justice.

### **Religious Economic Ethics**

The 21st century started as a century with a revival of religious movements. Not only the attacks of September 11, 2001, with the background of Islamist fundamentalism, but also the economic crisis led to a wave of efforts to integrate religious values and motivations into economic and business ethics. Islamic finance (Zahier & Hassan, 2001), Christian values in banking ethics (Stückelberger & Bernhardt, 2009), Jewish economy (Nutzinger, 2006), Buddhist sufficiency economy (Yodprudtikan, 2008), Hindu art of dharma for business leaders (Das, 2009), and Confucian business ethics are only a few examples of the new trend.

Combined with religious orientation, spirituality in economic ethics in its religious and nonreligious forms is a coming trend, especially since the end of the first decade of the 21st century. Spirituality looks at the deeper roots and sources of fair and just behavior and for the deeper meaning of human existence beyond accumulation of material goods.

### **Actors and Instruments**

Economic ethics is an issue not only for ethics professionals but for all economic actors: employers and their associations, trade unions, professional associations (e.g., of certified public accountants or certified financial analysts), compliance officers, continental and international societies of business ethics, associations of ethics, consumers and their associations, educational institutions such as management schools, and a broad range of political and nongovernmental organizations that have developed initiatives for economic and business ethics.

The instruments to enforce ethics in economic decisions and actions are as manifold as the actors: Examples are company mission statements and sanction mechanisms; codes of ethics of companies, sectors, countries, or international certification institutions; human rights policies; ethics trainings; ethics assessment and auditing; and sustainability reporting. In addition to laws and international conventions, manifold voluntary global principles and standards are in place, such as the UN Global Compact, ISO 9000 for environmental responsibility and ISO 26000 for social responsibility, Global Reporting Initiative, the UN "Protect, Respect and Remedy" framework, UN Principles for Responsible Investments, Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Companies, Principles for Responsible Management Education of the UN Global Compact, and manifold sector-related codes such as the Equator Principles or the Extractive Industries Transparency Initiative.

### **Ethics Pays**

Economic/business ethics is not an issue "nice to have" in times of surplus and profit. It has become an integral part of the concerns of individual consumers and governmental actors as well as of the strategic planning and all sectors of activities of an enterprise. Economic ethics is core risk management. Ethical enterprises often have lower risks and better performance than unethical or average companies, as many studies show. Some reasons

are the following: higher stability and lower corporate risks (security gain); lower interaction and friction costs, for example, through strikes, crime, and monitoring costs (productivity gain); higher productivity through the identification of personnel with the company and through lower fluctuation (motivation gain); strategy with a long-term basis (sustainability gain); higher consumption of ethically produced goods (turnover gain); advantages on the capital market with ratings (capital gain); wider acceptance among social stakeholder groups (image gain); and, in the long term, lower external costs (economic gain). Economic ethics has become an established aspect of the global era.

—Christoph Stückelberger

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## Further Readings

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