



# ETHICS AND ECONOMICS

Lecture Notes for Week 12

Tomáš Cahlík

## Contents

Ethics, People and Society .....	2
Marketing, Sophists and Socrates .....	2
Breaking the GDP Fascination.....	5
Christianity and Morality .....	8
Summary .....	11
Appendix 1: Ethics Codes.....	14

# Ethics, People and Society

The first part of this chapter discusses marketing and political consulting. In these fields, various codes of ethics are currently used as guidelines. A broader ethical discussion can draw upon the historical tension between the Sophists and Socrates.

The second part of the chapter examines two alternatives to the narrow economic approach to development: *the Social Development Index* and Amartya Sen's *Development as Freedom*.

The third part of the chapter presents some perspectives on Christianity and morality and is mostly based on the ideas of Alisdair MacIntyre in *The Short History of Ethics* (1966).

Finally, Appendix 1 outlines key points about Codes of Ethics.

## Marketing, Sophists and Socrates

Marketing is the process of promoting, selling, and distributing a product or service with the goal of creating value for customers and building strong relationships with them. It involves understanding customer needs and wants, creating strategies to communicate the benefits of a product or service, and employing various tools and techniques to reach target audiences. Marketing encompasses a wide range of activities, including market research, advertising, public relations, sales, and customer service. The ultimate aim of marketing is to attract and retain customers by delivering products or services that meet their needs and wants, thereby driving business growth and profitability.

To achieve success, an organization must anticipate the needs and wants of potential consumers and satisfy them more effectively than its competitors. It is important to clarify the difference between needs and wants:

- **Needs:** Something necessary for people to live a healthy, stable, and safe life. Needs can be objective and physical, such as the need for food, water, and shelter, or subjective and psychological, such as the need to belong to a family or social group and the need for self-esteem. (In the context of post-Keynesian economics, we

discussed Maslow's hierarchy of needs.)

- **Wants:** Something that is desired, wished for, or aspired to. All wants fulfill some need. Wants are often shaped by culture or peer groups.

Marketing often focuses on identifying unmet consumer wants, which raises ethical questions: How can unmet wants be identified ethically? How can consumers be ethically persuaded that they have such wants?

In "The American Marketing Association Statement of Ethics," the following principles for ethical marketing are outlined:

- **Transparency:** Ethical marketing campaigns must reveal all truths about products, including ingredients, components, and production processes.
- **Customer Data Protection:** Ethical marketers protect customer information and only use collected data to benefit customers, such as recommending products aligned with previous purchases.
- **Human Rights Compliance:** Marketing campaigns must not offend or discriminate against any population group based on race, gender, religion, or other factors.
- **Sustainability:** As environmental awareness grows, companies should demonstrate that their products are sustainable and ethically produced.
- **Customer Value:** Ethical marketing should prioritize bringing value to customers while minimizing societal risks.

Political consulting applies marketing principles to political markets. Political consultants serve as strategists, promoting candidates or groups by planning campaigns, coordinating staff, and arranging events. Their primary goals are to increase voter awareness of their candidates' platforms and secure the maximum number of votes.

However, ethical concerns arise regarding the methods of persuasion used to influence voters. The "American Association of Political Consultants (AAPC) Code of Ethics" outlines ethical standards for political consultants, including:

- **Confidentiality:** Respecting the confidence of clients and not revealing privileged information obtained during the professional relationship.
- **Avoiding Discrimination:** Refraining from appeals based on racism, sexism, religious intolerance, or other forms of discrimination, while promoting equal voting rights.

- **Fairness in Criticism:** Avoiding false or misleading attacks on opponents and documenting criticisms accurately and fully.
- **Honesty with Media:** Being truthful in relationships with the media and candidly answering questions when authorized.

**Sophists vs. Socrates:** The ethical challenges in marketing and political consulting can be examined through the historical debate between the Sophists and Socrates in ancient Greece.

The Sophists' approach is rooted in cultural relativism and pragmatism. The Sophists taught that to function well as a citizen in a city-state, one must conform to prevailing conventions of justice and morality. They emphasized persuasion as a neutral skill, independent of moral considerations. Playing with emotions and sentiments was part of the art of persuasion.

Socrates, by contrast, sought truth and virtue through reasoning. He believed that persuasion must align with rationality and moral responsibility. Playing with emotions and sentiments was unacceptable. For Socrates, techniques of persuasion were not morally neutral, as they directly impacted an individual's standing as a moral agent.

Socrates likely would not have considered modern marketing or political consulting ethical, as they often appeal to emotions and sentiments rather than rationality. In contrast, the Sophists might view modern marketers and political consultants as inheritors of their tradition.

**J.S. Mill vs. Socrates:** J.S. Mill's arguments in *On Liberty* provide a counterpoint, emphasizing the importance of freedom of expression and the marketplace of ideas. Mill argued that diverse viewpoints are essential for discovering truth and fostering progress. Applying this to marketing and political consulting:

- Marketing can inform consumers about products and services, empowering them to make informed choices. By fostering competition, marketing drives innovation and quality improvements, benefiting society as a whole.
- Political consulting can help candidates and parties communicate their ideas, policies, and values, ensuring voters have access to diverse perspectives and can make informed decisions in democratic processes.

When conducted ethically, marketing and political consulting can promote informed choice, innovation, and democratic participation, ultimately contributing to societal progress.

## Breaking the GDP Fascination

The **Social Progress Index (SPI)**, first developed by Michael Green and colleagues in 2013, measures the well-being of societies by focusing on social and environmental outcomes rather than economic indicators like GDP.

Michael Green is a renowned social innovator, author, and public speaker. He worked at the UK Department for International Development (DFID), has co-authored the influential book *Philanthrocapitalism: How Giving Can Save the World* and serves as CEO of the Social Progress Imperative, a nonprofit organization promoting the SPI. His efforts aim to inspire data-driven policies for inclusive and sustainable development worldwide.

SPI evaluates functioning of countries based on three main dimensions: Basic Human Needs (e.g., nutrition, healthcare, safety), Foundations of Wellbeing (e.g., education, access to information, environmental quality), and Opportunity (e.g., personal rights, freedom of choice, inclusiveness). These dimensions are further divided into 12 components, encompassing over 50 indicators that provide a comprehensive picture of social progress.

Green emphasizes that economic growth alone does not guarantee social progress, as wealthier nations often face significant gaps in areas like equality or environmental sustainability. By highlighting strengths and weaknesses in specific areas, the SPI serves as a tool for policymakers and organizations to indicate potential for targeted interventions and track progress. The index underscores the need to balance economic priorities with social and environmental goals to ensure holistic and sustainable development. It aims to reframe the global development conversation by focusing on outcomes that directly improve people's lives.

The **Human Development Index (HDI)** was developed in 1990 by the United Nations Development Programme (UNDP). It was introduced in the first Human

Development Report (HDR), authored by Pakistani economist Mahbub ul Haq in collaboration with Indian economist Amartya Sen and others.

The HDI incorporates three key dimensions of human development:

- Health: Life expectancy at birth.
- Education: Mean years of schooling and expected years of schooling.
- Standard of Living: Gross National Income (GNI) per capita.

The HDI was designed to shift the focus of development discussions from economic growth alone (measured by metrics like GDP) to a more comprehensive view of human well-being and capabilities. It has since become one of the most widely used indices for assessing the quality of life and development progress across countries.

**Amartya Sen** is a globally acclaimed economist and philosopher renowned for his work on welfare economics, development, and social justice. Born in India in 1933, he has made significant contributions to understanding poverty, inequality, and human capabilities. Sen's approach to development emphasizes enhancing people's freedoms and opportunities as central to development, moving beyond purely economic measures like GDP. His seminal book, *Development as Freedom* (1999), highlights the interplay between economic development, political freedoms, and social opportunities. A Nobel Laureate in Economics (1998), Sen has also been a strong advocate for gender equality, education, and public health. He has held prominent academic positions, including at Harvard University, and remains a leading voice in global debates on equity and development.

Sen posits that freedom is both the primary goal and the principal means of development. He identifies five types of freedoms critical to development: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. These freedoms are interconnected, as they enhance individuals' capabilities and increase their potential to lead lives they value. For Sen, poverty is not just a lack of income but a lack of potential for self-realization caused by the deprivation of individuals' capabilities, such as those linked to education, healthcare, and political participation.

Sen critiques traditional development approaches that prioritize GDP growth, instead emphasizing that economic progress must serve broader human goals. He illustrates how unfreedoms like political oppression, gender inequality, and lack of healthcare hinder development, regardless of income levels. He highlights the importance of public policy, democracy, and community participation in fostering freedom and addressing inequalities. Ultimately, Sen's work challenges policymakers and societies to redefine development as a process of empowering individuals to achieve their potential, ensuring that economic, social, and political systems work together to enhance human well-being.

### **Comparison of Michael Green's Social Progress Index (SPI) and Amartya Sen's Development as Freedom:**

- **Similarities:**

- **Multidimensional Perspective:** Both reject the idea that economic growth alone defines progress. Green incorporates dimensions like basic needs, well-being, and opportunity, while Sen stresses the interplay of freedoms like political rights, social opportunities, and protective security.
- **Policy Implications:** Both frameworks aim to influence policymakers to address inequality and improve human lives through targeted interventions beyond economic growth.

- **Differences**

- **Philosophical vs. Practical Framework:** Sen's approach is rooted in a philosophical and theoretical framework that views freedom as both the means and end of development. Green's SPI is more practical and data-driven, providing a quantitative tool for assessing and comparing social progress across countries.
- **Role of Freedom:** For Sen, freedom is central and multidimensional, encompassing political, social, and economic aspects. Green's SPI, while implicitly supporting freedom, focuses on specific outcomes like



education, health, and personal rights, which can be seen as components of Sen's broader concept of freedom.

- **Application Scope:** The SPI is designed as a benchmarking tool to compare countries' social progress, making it actionable for governments and organizations. Sen's framework provides a philosophical foundation for understanding and designing development strategies but lacks a direct measurement tool like the SPI.

While Sen's approach offers a theoretical lens to understand development as the expansion of human freedoms, Green operationalizes a similar vision through the SPI, providing measurable indicators to assess progress. Together, they complement each other.

## Christianity and Morality

Alasdair MacIntyre, in his book *A Short History of Ethics* (1966), summarized the basic Christian theses like this: *"God is our Father. God commands us to obey Him. We ought to obey God because He knows what is best for us, and what is best for us is to obey Him. We fail to obey Him and thus become estranged from Him. Therefore, we need to learn how to be reconciled with God so that we can once again live in a familial relationship with Him."* MacIntyre then expands on these ideas, exploring the relationship between divine command and human reasoning and identifying some historical background. This book was written before his conversion to Catholicism in the early 80ies, he would put it differently today. He would surely stress the importance of the reconciliation with God.

- **Why should one obey God?** MacIntyre proposes three reasons: God's holiness, goodness, and power. Each of these attributes raises philosophical and theological questions about the nature of morality and divine authority.
  - **Adequacy of Worship Objects:** Worship must be directed toward a being that surpasses all finite objects in power and knowledge. This is built upon earlier theological and philosophical traditions, including the works of St. Anselm of Canterbury (1033–1109). Anselm argued that God is "that than which nothing greater can be conceived," and that such a being must exist both in the mind

and in reality.

This understanding leads to the concept of an infinite God—a God that has lost His particularity. By losing His particularity, God also becomes questionable.

- **God's Goodness and Human Morality:** In Plato's dialogue *Euthyphro*, we can find the so-called Euthyphro Dilemma. The original question as posed by Socrates is: "Is the pious loved by the gods because it is pious, or is it pious because it is loved by the gods?" This question challenges the relationship between divine authority and morality:
  - If something is good or pious because the God commands it, then morality seems arbitrary, dependent solely on divine will.
  - If the God commands it because it is good, then goodness must be independently definable, implying a higher standard to which even the God adheres. This might allow humans to judge morality without divine guidance. Believers can correctly reply that God's omniscience makes Him a superior moral guide.
- **God's Power and Moral Motivation:** The concept of God's power is both useful and risky. The fear of divine punishment can create self-interested motives for morality, potentially undermining the originally altruistic goals of religious ethics. When social structures disconnect virtue from happiness, the concept of God's power serves as a tool to sustain belief in their connection and maintain a basic understanding of morality. MacIntyre concludes that religious morality often complements or elaborates on secular morality but remains distinct in its reliance on divine principles.

- **Historical Background of Christian Morality**

- **Influence of the Roots of Christianity:** Christian ethics faces a paradox: it attempts to create societal codes from teachings originally intended for individuals or small, distinct communities. The ethics of Jesus and St. Paul were designed for a brief, transitional period in anticipation of the imminent arrival of the Messianic kingdom. Consequently, their teachings do not provide a

sustainable framework for guiding life in a long-lasting society.

- **Platonic Influences:** St. Augustine adapted Plato's dichotomy between sense perception and the realm of Forms into a Christian framework, contrasting natural desires with divine order. He associated natural desires with earthly attachments, like his pre-conversion love for his mistress, and the political realities of the earthly city. Through ascetic discipline, one could rise in reason and gain divine illumination—not from Plato's Form of the Good, but directly from God.
- **Aristotelian Influences:** Thomas Aquinas' Aristotelianism differs significantly from Aristotle's by focusing on transforming human desires toward moral ends rather than escaping them. Aquinas reinterprets *teoria* as the vision of God, the ultimate goal of human desire, revises and expands Aristotle's list of virtues, and places both the concept of **telos** and virtues within a framework influenced by Stoic and Hebraic traditions. He emphasizes natural law, which aligns with human nature, as guiding moral behavior, while supernatural law from divine revelation complements but does not override it. Central to natural law is self-preservation—not merely of the physical self but of the immortal soul, which is compromised by irrational subjugation to impulses.

Here is how the Stoic and Hebraic Traditions might relate to Aquinas' Aristotelianism:

- **Stoic Traditions:**
  - **Natural Law:** Stoicism emphasizes living in harmony with nature and reason, seeing the natural world as governed by a universal, rational order. This idea deeply influenced Aquinas' concept of natural law, where human beings, through reason, discern moral truths inherent in creation.
  - **Virtue Ethics:** Stoics emphasized virtues like justice, courage, temperance, and wisdom as essential for living a good life, aligning closely with Aquinas' expansion and adaptation of the virtues.
  - **Control of Desires:** Stoicism advocates for mastery over irrational passions and impulses, which Aquinas echoes in his insistence that the immortal soul is violated by slavery to such impulses.

- Hebraic Traditions:
  - Divine Law: The Hebraic tradition introduces the concept of revealed divine law (e.g., the Torah), which complements natural law by providing moral guidance that transcends human reason. Aquinas integrates this idea in his distinction between natural and supernatural law.
  - Moral Covenant: The Hebraic view of a covenant between God and humanity emphasizes moral obligations rooted in divine will, influencing Aquinas' framework of law as derived from both reason and revelation.
  - Holistic Virtue: Hebraic ethics often emphasize holistic living, where moral actions are tied to faith and community. This integration aligns with Aquinas' view of virtues as interconnected and directed toward the ultimate goal of union with God.

## Summary

The first subchapter explores the ethical considerations in **marketing** and **political consulting**, comparing their practices with historical and philosophical perspectives. Marketing is defined as promoting and selling products or services by understanding and meeting customer needs, emphasizing the importance of ethics in transparency, data protection, sustainability, and customer value. Ethical concerns arise in identifying and persuading unmet consumer wants without manipulation.

Political consulting applies marketing principles to politics, focusing on strategies to secure votes while adhering to ethical standards such as fairness, confidentiality, and avoiding discrimination, as outlined in the *AAPC Code of Ethics*.

The text contrasts the **Sophists**, who viewed persuasion as a neutral skill used for success, with **Socrates**, who sought truth and virtue through rational methods, rejecting non-rational persuasion. This debate highlights concerns about modern practices that appeal to emotions rather than reason.

Using J.S. Mill's *On Liberty*, the text argues that marketing and political consulting can have positive societal impacts when conducted ethically, fostering informed choices,

competition, innovation, and democratic participation, while acknowledging the challenges of maintaining moral responsibility in these fields.

The second subchapter introduces the Social Progress Index (SPI), developed by Michael Green, the Human Development Index (HDI) used by the United Nations and Amartya Sen's *Development as Freedom*. The SPI assesses societal well-being using social and environmental outcomes rather than GDP. Green, a social innovator and CEO of the Social Progress Imperative, focuses on three dimensions: Basic Human Needs, Foundations of Wellbeing, and Opportunity. By highlighting strengths and weaknesses, SPI promotes balanced development that integrates economic, social, and environmental goals. *Development as Freedom* views development as expanding individual freedoms and capabilities, not just economic growth. Sen identifies five key freedoms, such as political rights and social opportunities, as essential for addressing inequalities and empowering individuals.

While both Green and Sen prioritize human welfare over economic metrics, Green offers a practical, data-driven SPI framework, whereas Sen provides a theoretical model centered on freedoms and capabilities. Together, they provide complementary approaches to redefining development.

The third subchapter builds upon Alasdair MacIntyre's ideas on Christian ethics. He explores why one should obey God, attributing this to God's holiness, goodness, and power, while raising critical questions about the nature of morality and divine authority. Worship, he argues, must be directed toward an infinite God to avoid idolatry, but such abstraction makes God's particularity questionable. MacIntyre addresses the tension between divine goodness and human morality, asserting that goodness must have an independent definition to avoid circular reasoning. He also notes the dual utility and risk of God's power in motivating morality, cautioning against self-interest overriding altruistic ethics. Ultimately, he suggests religious morality complements secular morality but retains a distinct reliance on divine principles.

MacIntyre further mentions the historical and philosophical influences shaping Christian ethics. He identifies a paradox in Christian teachings, designed for small,

transitional communities, as they attempt to guide broader, enduring societies. Augustine, influenced by Plato, reinterpreted the dichotomy of desires and divine order, emphasizing ascetic discipline for spiritual illumination. Aquinas, drawing from Aristotle, Stoicism, and Hebraic traditions, focused on transforming desires toward moral ends, redefining virtues, and situating them within a framework of natural and divine laws.

MacIntyre likely had in mind that Stoicism contributed ideas of rational natural law, virtue ethics, and control of impulses, while Hebraic traditions emphasized divine revelation, moral covenants, and holistic living, all of which Aquinas integrated into his ethical philosophy.

# Appendix 1: Ethics Codes

Ethics codes, often referred to as codes of ethics or ethical guidelines, are formal documents that outline the moral principles, standards, and rules of conduct expected of individuals within a particular organization, profession, or community.

## **Criticisms of Ethics Codes:**

- Ethics should be open-ended and reflective.
- It is a mistake to separate professional ethics from the ethics of ordinary human beings.
- Adoption of a code has sociological but not practical value; it helps define a social group but:
  - Professionals rarely turn to their codes for guidance.
  - Guidelines within the codes can be inconsistent.
  - Guidelines may conflict with the moral autonomy of individuals.

## **Support for Ethics Codes:**

- They help define a professional group.
- Developing and modifying a code can foster the profession's growth.
- A code serves as an educational tool, encouraging discussion in classes and professional settings.
- It signals to others that the profession prioritizes responsible, professional conduct.
- It helps create an environment where ethical behavior becomes the norm.
- A code can provide guidance or reminders in specific situations.

There are thousands of ethical codes available online. Examples include the CFA Ethics Code (Chartered Financial Analyst) and the Code of Ethics of Charles University in Prague.