MORALITY AND ECONOMIC DEVELOPMENT*

WHEN, nearly ten years ago, I first started studying philosophy, I remember asking one of my tutors over lunch what philosophy was actually all about. 'Imagine', he said referring to the table in front of him, 'that this table had no legs'. 'I am imagining', I said. 'Good. Imagine now that it had no surface and no sides'.

I looked hungrily at the dishes on the table – at which point, my professor, rather uncharitably said, 'Imagine now that there was nothing on the surface. What remains?'

'Nothing', I replied, eyeing the dishes even more hungrily. 'Good', he said. 'Now you know what philosophy is all about'.

This somewhat crude introduction to philosophy savoured more of a prologomenon to the Nihilism of Nieztsche than to the realism of Aquinas. I cannot imagine Aquinas being satisfied merely with the idea of food-dishes on a table. If we are to believe his biographers, the Angelic Doctor was enough of a realist and a gourmet to appreciate that man, although not living by bread alone, also lived by bread.

Aquinas was a realistic philosopher. Now a realistic economist is one who in showing men how to live by bread, keeps in mind that they do not live by bread alone. And it is the purpose of my paper this evening to relate the judgement on moral value to the judgement on economic value with special reference to a developing economy.

In assessing the relationship between ethics and economics, one has, in the first place, to distinguish between the two ends of these respective sciences. Ethics concerns the rightness or wrongness of all human acts in terms of man's nature as a rational being created to God's image and likeness. In so far as economic events are determined by man, then we can pass judgement on them concerning their value as human acts. Economic man is man, and no automaton; economic acts have consequently a moral value.

I stress this principle because it is considered old-fashioned by many economists who forget that antiques have become fashionable and economically valuable because they have an enduring beauty. And I lay special emphasis on it because development economists have the habit

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of tendering advice which often ignores the fact that man's material welfare is not synonymous with man's happiness.

Not that such economists do not themselves philosophize and pass value judgements. But rather, some of them assume that man is only rational when he is materialistic, and that to look at things spiritually, that is in a way that transcends matter, is irrational – forgetting, of course, that rationality is a faculty of the spirit (unless you have too much of it).

In fact many economic thinkers tend to base their principles on moral foundations. On one side, we have the Marxist school which claims that it is the State that determines the criterion of value, even though, of course, moral value as such has no meaning for a Marxist. On the other side, we have an increasing mass of economic thinkers who believe that it is the individual who establishes the ethical value of human acts. Both these schools of economic thought have many adherents today – the vogue today is to be an existential or agnostic economist, a vogue that in the Marxist case, had its source in Hegel, and in the school of economic individualism, in Adam Smith. It is pertinent to remember that Marx graduated in philosophy (wine-drinker that he was, his thesis was on Epicurus), and that Adam Smith was a professor of logic.

There is a third school of economic thought which is a happy medium between the two to which I have just alluded. It is characteristic of this school to lay stress on man's complex nature as a rational being, and as an individual, bestowed with the dignity of manhood, who is also a social animal; as living in society but transcending it because of the innate glory of his soul.

Aristotle himself, though obscurely because of his pagan background, recognized the cogency of this outlook on man in his economic life. But it was Aquinas, in medieval times, and the great Popes of the last seventy years, from Leo XIII to Paul VI, happily reigning, who have set down clearly and forcefully the relationship between morality and economic growth. And it was perhaps Pius XI in Quadragesimo Anno who synthetized the intimate correlation between economic and moral values.

'Though economic science and moral discipline', he writes, 'are guided each by its own principles in its own sphere, it is false to say that the two orders are so distinct and alien that the former (that is economics) in no way depends on the latter (that is ethics). The so-called laws of economics derived from the nature of earthly goods and from the qualities of the human body and soul, determine what aims are unattainable and attainable in economic matters, and what means are thereby rendered necessary; while reason itself clearly deduces from the nature of things and from the individual and social character of man, what is the end and object of the whole economic order assigned by God the Creator'.

And further on, in the same Encyclical, he reiterates the same teaching that 'the economic and social organism will attain its end when it secures for all and each goods ... sufficient to supply all needs and an honest livelihood, and to uplift men to that higher level of prosperity and culture which, provided it be used with prudence, is ... of singular help to virtue'.

These principles have particular relevance to economic development. When an economist analyses a country or a region or a situation, he often has to determine the relationship between 'what is' and 'what is to be', and to do so he must pass judgements on 'what should be' and 'why it should be'. The student of economic development has to study the relationships between data and their dependent variables. The former imply facts concerning pupulation, consumption patterns, natural resources, factors of production, monetary and fiscal policies and the nature and extent of competition on the market. The latter, the variables, concern the prices of goods and services, the prices of the factors of production, the allocation of resources to the productive sectors, and the distribution of final products among the producers.

To assess what should be all in all the relationships between the data and the variables which I have just mentioned would call for a comprehensive judgement which is usually outside the scope of the development economist. In working out a development plan or in building a development theory, the economist normally uses only the more salient data. He analyses those which have immediate pertinence to his theory or to his plan, and excludes the influence of psychological and sociological factors. This may sometimes result in plans and theories which are economically sound but which are socially unacceptable, and the postulates of theories and the assumptions of development plans are often sociological generalizations bereft of objectivity. The classical theorists of economic growth have themselves not been immune from this tendency. The classical case, in the literal sense, is the great Marxian postulate that 'in every historical epoch the prevailing mode of economic production and exchange, and the social organization necessarily flowing from it, form the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch'.

From this crude and unrealistic generalization, Marxism has derived its primary dogma of the decline of capitalism and the dictatorship of the proletariat. From it, too, the Marxists have derived their criterion of moral value as being determined by economic events, interpreted by that Norm of Moral Value which is the State.

But the difficulties between ethical and economic judgements are not confined to ideologies, but concern the very concept of economic life. Thus one of the fundamental moral judgements in economic development relates to the distinction between the 'economic sphere' and the 'milieu' or 'the surrounding world'.

Classical economists argued that man's economic behaviour was a manifestation of man's rational self-interest. Marx went further to reduce all human acts to forms of economic behaviour. And a more recent development theorist like Schumpeter has held that the criterion of man's economic behaviour is his 'conduct directed towards the acquisition of goods'. Schumpeter and many contemporary theorists of growth believe that the economist is limited exclusively to economic behaviour, and that moral and sociological considerations are outside the economist's terms of reference.

To avoid a conflict between the two spheres, the economist has to bear in mind that economic development principles are subject in their application to moral law. This criterion must be borne in mind when the development economist is selecting the data for his plans.

One of the most important moral judgements on data that the development economist has to make concerns the population, its tastes, attitudes and dispositions, and its social institutions. The classical theorists, in accepting the Malthusian theory of population, were postulating the concept of an optimum population. In a developing economy, where present resources are being exhausted, and where new resources are being tapped to derive new production, where new capital is being invested and accumulated, and where social attitudes are changing, there is little reason to believe that the population will remain stationary. Now the classical economists based their concept of an optimum population in a growing economy on three principal assumptions:

the existence of one single satisfactory index of the relationship between population and national welfare;

secondly, the principle of the division of labour;

thirdly, the law of diminishing returns.

These assumptions provide a good example of the issues to be tackled by the development economist in so far as ethics is concerned. The last two assumptions are obviously economic ones and pertain purely to economics. But the first postulate raises an important moral question. Can an optimum relationship between population and national welfare be measured by one criterion? Can one say that decisions affecting national economic policy should be determined solely by per capita real income, by per capita sonsumption or by per capita real wages? If one were to exclude a moral judgement, and consider man as a purely economic animal, the answer would be yes. But if we regard man as a being endowed with a spiritual dignity, we have to admit that we cannot advocate, such a single criterion, because per capita national income may be rising, while sectors of the population may, due to changes in the economic structure of the country be undergoing hardship.

Because of ethical reasons, neither can one advocate an economic policy which the planners may say 'in the long run' will lead to a higher standard of living though it will inflict some hardship in the short run. One cannot condemn a present generation to real hardship so that a future generation may enjoy more of the good things of life; nor can one, for economic reasons, wring injustice on one sector of the population so that another sector can be better off. It is useful to remember the saying of the great economist, Lord Keynes, that 'in the long run we are all dead'.

Again, one of the major principles of economic analysis enunciates that as income increases, consumption increases, but not proportionately. Here again, it is the task of economic science to determine whether the data concerning the various aggregates of consumption are valid; but it is the task of moral science to determine who is responsible for the changes in the change of taste among consumers. It is the task of ethics to determine whether the targets placed before consumers as an incentive towards economic development are morally right or not. It is part of the science of ethics to ascertain whether the images with which advertising baits the consumer are acceptable. And the relevance of a moral judgement pertains too to the problem of whether consumption should be constantly expanded at the expense of savings.

Closely related to the behaviour of people as consumers, is their attitude toward social organization and social institutions in so far as they are economic citizens. Classical economists believed that the market was a great instrument of social cohesion. Their concept of justice was limited to the act of exchange in a free market. In their view, narrowing the freedom of the market would weaken the automatic power of the market to bring about economic adjustments, and that such a weakening would affect adversely the progress of the nation. Many Marxist theorists, rejecting the social injustice inherent in the classical position, went to the other extreme and believed that true economic development was only attainable through a completely planned economy where the individual was subordinated to the State.

The role of social institutions in economic development raises far more problems than we can tackle here. It seems to me that the ethical norm to be used in determining this role is that social institutions in a developing country should help men as individuals in the first place, and in the second place, as members of society.

This last aspect brings up the crucial problem of social justice in a developing economy. If a development plan is to be morally acceptable, it must be permeated with a spirit of justice. Justice implies balance, a balance between the productive sectors in so far as men are producers, a balance in the sacrifices to be borne by the different groups of the community, a balance in the prospects and opportunities and incentives offered to each individual in the community.

And social justice in developing planning and in the execution of plans for a developing country implies balance in the respective moral responsibilities of the entrepreneur, the consumer and the state; in the relationship between population and the labour force; in the division of labour. It implies that there be Christian attitudes towards work and towards leisure.

It ordains that the costs and the sacrifices of economic development be shared equally by all; and that there exists a right hierarchy of values implicit in the goals of economic development, goals that concern abundance, opportunity, security and freedom in relation to the ultimate goal of happiness in enjoying the good things of life because they are God's things.

For economic development should ultimately help men to reach more smoothly and more cheerfully the riches, the abundance and the freedom of the City of God.

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