



UNDERSTANDING ETHICAL VALUES AND ECONOMIC VALUE

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Abstract

Values, this word has two meanings which cannot be said as mutually exclusive. In ethics, “values” denote orientations, standards and objectives which guide and drive people’s actions. In economics, “value” is related with money and denote the exchange, utility and capitalised value of goods. The value is measured against demand, usefulness and relative rarity. “Value” also denotes the financial earning power of companies (shareholder value). Understanding of the terms “values” and “value creation” differs greatly. Value is not inherent in a commodity, but is rather a relation between persons and expressed as a relation between things. Value is what a customer is willing to pay for a product or service. Philosophers often use value as an attributive or a predicative. Sociologists or anthropologists, on the other hand, usually use value as a substantive. Examples of this include economic value, protected value, existence or preservation value, moral values or self-oriented values, social values, capitalist values, liberal values, socialist values, green values and democratic values. Now a days, organisations try to create win-win situation in order to maximise all the types of “values”. Value creation in contemporary industrial business is a complex and multi-faceted issue in which new aspects are emerging. It is crucial to create processes that contribute to achieve appropriate fit between all types of values. There are organisations where ethical values are part of a positive strategy to achieve competitive advantage. Organizations need to be aware that ethical values and principles change over time and vary across contexts. The ethical aspects of business might form a new and critical source for value creation between companies acting in global business markets. This paper addresses the need for maintaining a balance between both the types that may help profit making businesses in maintaining their profitability levels.

Key words: Ethical values, economic values, code of ethics, business ethics, and global ethics.

INTRODUCTION

Value is what is affirmed within objects by subjects. This includes three points: (i) it meets needs of subjects; (ii) it is what a subject willed or created; (iii) it is what a subject appreciated or enjoyed. Value is not the same as object. Value is what a subject finds experiences and enjoys in an object: one finds, senses, knows, cognition, etc.; it is also what a subject needs, chooses, supposes, and expects. In most cases, it is taken as the purpose of an action: by will and feeling it is brought into being. At the end of the process one can experience joy, savour, and thereby affirm it. Hence, value is not far from us; it is in our feelings, cognition, experiences and enjoyment. It is what we hold and confirm by use of our body and mind. It might be some utility, function or meaning that is to be found, experienced and enjoyed, but could not be reduced to only one of them; rather it is a general term for all of them.

Thus, value can be of many kinds in relation to a subject's needs, creations and enjoyment. However, though they can be distinguished in terms of their subject as individual or social, they are relative, and rely on wholeness, harmony and compatibility. A subject's activities are also many, such as economic, political, social, scientific, educational, literary, artistic and theoretical. This paper addresses the problem areas of how ethics is related to different areas of an organisation and to evaluate ethical concerns across various functions of an organization and how ethical concerns have changed their meaning during the course of time.

ETHICAL VALUES AND ECONOMIC VALUE

Ethical concerns are very important concerns in the area of organizational context both in the internal and external environment. Ethics is not a recent discovery. Over the centuries philosophers in their struggle with human behaviour have developed different approaches towards ethics, each leading to different conclusion. Ethics is a combination of moral principles or set of values about what is right or wrong, true or false, fair or unfair, proper or improper what is right is ethical and what is wrong is unethical.

In the era of globalization and privatization, with the entry of multinational and increasing foreign trade in twenty first century, people are losing their faith in government, law, ethics and society. On one hand business concerns are competing with immense competition in the market for their survival and for producing and delivering innovative products in the market and on the other hand they are violating principles of moral and ethical conduct.

As might be suspected, early writings on ethics were centred not on economics or business, but personal beliefs and actions. It becomes readily apparent from early discussions of ethics that philosophers and writers viewed ethics as a matter of choice. Individuals must make choices in their lives. This is important to note – businesses don't make choices. Choices are made and/or implemented by individuals within the economic enterprise.

People make choices in government, educational institutions and businesses; everyone is forced to make choices, and even the choice not to choose is a decision.

Economic value is one of many possible ways to define and measure value. Although other types of values are also important, economic value is useful to consider when making economic choices – choices that involve tradeoffs in allocating resources.

Measures of economic value are based on what people want – their preferences. Economists generally assume that individuals, not the government, are the best judges of what they want. Thus, theory of economic valuation is based on individual preferences and choices. People express their preferences through the choices and tradeoffs that they make, given certain constraints, such as those on income or available time.

If economist use ‘values’ and ‘tastes’ and ‘preference’ interchangeably (quotation from Arrow) and if at the same time they refer to ‘value’ and ‘price’ as if these two terms meant the same thing (as, for example, in the traditional reference to ‘price theory’ as the ‘theory of value’) then confusion immediately crops up. What is the connection between ‘value’ in the first sense and the ‘values’ in the second?

Economics is often described as the ‘theory of choice’ or as having its subject-matter defined by choice. Although that description is neither entirely clear nor uncontested, it is clear that there is a close connection between economics under that choice-based description, and ethics. Ethics is also concerned with choice – with the evaluation of alternative actions. In what ways, we might ask, do the economic account and the ethical account of choice diverge – if indeed they do diverge. Question arises what exactly is the relation between choices whether economic or ethical. Besides, Malthus Ricardo, all classicists before and after him conceived value as closely connected to price. While in ordinary language, we often refer to the ‘value’ of a bundle of shares or a house or a painting, its meaning as price may be commonly understood in prevailing markets. However, real value only emerges during the course of exchange for determining the level of price a product should be charged. The term ‘value’ always precedes ‘price’ as price are determined by the value attached to any product. If we say that value precedes price, it does not imply that value is fully absorbed in price nor does it imply that the value has no connection with the price. In fact the term ‘value’ refers both to the relative price of the good as well as underlying preferences on the basis of which those relative prices emerge. Value is not a static term; it depends upon the preference attached to that product in comparison to others in the market.

In a market economy, dollars, rupees or some other currency are a universally accepted measure of economic value, as the number of dollars or rupees that a person is willing to pay for something tells how much of all other goods and services they are willing to give up to get that item. This is often referred to as ‘willingness to pay.’

Ethics like economics involves choice between alternatives. In economics, options are usually thought of as actions. In ethics, they are sometimes actions, sometimes beliefs,

sometimes attitudes. Mechanism that guides such choices in economics is that of 'preference'. Decision rules that guide such choices in moral sense are 'values'. For economists, typically, 'values' are simply preferences (Geoffrey Brennan).

CODE OF ETHICS FOR ECONOMIST

The American Economic Association (AEA) and the International Economic Association (IEA), unlike most professional associations, do not have codes of ethics to guide their members in conducting their daily professional activities. Yet there is general agreement among most professionals that without code of ethics, significant harm can be done both directly and indirectly. Moreover, in business settings, employees who lose direct recognition and economic rewards may be they deserve less trust, but in the process become less motivated to do their best, and less willing to work collaboratively, all of which become counter-productive. In academic settings, instructors may lose confidence in their abilities, students may quit doing their best and the acquisition or creation of economic knowledge may proceed at a much slower pace than otherwise would be the case.

Economists are presumed to have more knowledge and understanding of how individuals decide to allocate scarce resources and how the economy operates than the average individual on the street. A layperson may have difficulty evaluating quality of statements made by economists. They assume that (i) economists possess education, skills and information to make such statements; (ii) economists are truthful about what they know; and (iii) economists are honest about the limitations and purposes to which their knowledge can be applied. These assumptions may be seen as part of an unwritten ethical contract that serves as a basis for the individual to accept validity of what some economists believe. Economists recently began arguing for a code of ethics. Enders and Hoover (2004) recommend a code of ethics for economists because a sizeable majority of editors they questioned attributed plagiarism and other unethical behaviour to poor training and mentoring. Economists suggest that economists might find an ethical code appropriate to sustain 'motivation and adherence to noble practices even in the most difficult or tedious moments of collecting data, cleaning data sets, carrying out regression analysis, writing up results, or responding to reviewers' comments (Margolis, 2003, p.12). De Martino (2005) concludes that a code of ethics for economists would at the very least make these professionals more aware of issues and encourages them to reflect critically on the possible ethical repercussion of their work (Peil and Van, 2009).

Need for a code of ethics for economists: Thus, a number of factors contribute to the growing need for a code of ethics for economists: the composition of membership of the profession has changed dramatically since the establishment of the AEA in 1885; interdisciplinary work has become more commonplace; the potential impact of policy recommendations is unknown; and funding agencies increasingly require applicants to provide assurances that they will do no harm.

Framework for ethics- business ethics: A framework ethics is not confined to a single

area, ethics can be seen in every part of an organization. Major branches of ethics include: *meta-ethics*, about the theoretical meaning and reference of moral propositions and how their *truth-values* (if any) may be determined; *normative ethics*, about the practical means of determining a moral course of action; *applied ethics*, about how moral outcomes can be achieved in specific situations; *moral psychology*, about how moral capacity or moral agency develops and what its nature is; and *descriptive ethics*, about what moral values people actually abide by.

Ethics is not confined to a single specific area but it covers a vast area. There are multiple research topics that may be linked implicitly or explicitly to ethical concerns across organization such as; business, economics, accounting, information technology, marketing, laws, government, social system, and management.

UNDERSTANDING BUSINESS ETHICS

Business ethics is relevant for every organization from top executives to bottom line employees. Business ethics is not just the matter of high officials of an organization neither it is only high level of return on investment or profit maximization rather it is concerned with one's own business profitably in the era of social challenges, ethically at the same time. Business ethics is systematic handling of values in business and industry. Business ethics is rules of business with which propriety of business activity may be appraised. Business ethics focuses on moral standards as they apply to business policies, institutions and behaviour. It is a specialized study of moral right or wrong. It is a form of applied ethics (law + knowledge = ethics). Business ethics is nothing but application of ethics in business. It is proved time and again that ethical business is more profitable. Today more and more interest is being given to the application of ethical practices in business dealings and the ethical implications of business (Fig 1).

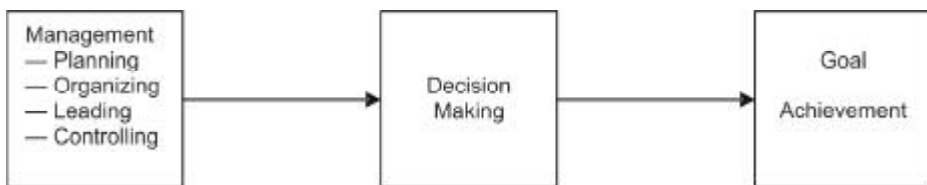


Fig 1 Role of Management in Business

The 3 Cs of business ethics are:

Compliance (The need for compliance of rules including)

- Laws
- Principles of morality
- Policy of the company

Contribution (Business can make to the society)

- Core values
- Quality of products/services
- Employment creation
- Usefulness of activities to surrounding areas
- Quality of work life

Consequences (Outcome of business activity)

- Toward environment inside and outside the organization
- Social responsibility towards shareholders, bankers, customers and employees of organization
- Good public image, sound activity-good image (Paliwal, 2006)

Ethical problems while working in an organization: While promoting business ethics in organizations, there are various problems where business may find dilemmas while making choices among alternatives and not getting a clear-cut solution. While implementing business ethics one can come across problems like choosing between alternatives that are equally justifiable, truth versus reality, individual versus community, and significant values conflict among different alternatives.

CONCLUDING REMARKS

“Good business ethics promote good business” is supported by several scholars including Raymond Baumhart, Brener and Molander, and Strom and Ruch. It is clear from their findings that only such businesses can survive on a long term basis which conduct their business activities on ethical lines. Good ethics not only promotes professionalism in management but it also keeps inner mind at peace. Ethical concern for a business organization helps to make it profitable, generate employment opportunities, utilise resources in an appropriate manner, provide quality products, protect environment, safeguard health of employees, etc.

A business without ethics is business at risk. In fact there will be no survival of our globe without world ethics. No peace can exist among nations without harmony among religions. No peace among the religions without dialogue and cooperation among religions and civilizations (King, 1991, xv). Global ethics is necessary if the global order is to be managed with harmony and peace. Global ethics is basically norms which facilitate harmony and peace among nations. Such a peace would demand wide ranging dialogue among religions, cultures and civilizations.

West tends to assume that society is secular and religious in minority. Globally, it is quite opposite, a majority of the world’s population is largely committed to a religious faith. A global ethics is not a uniform system of ethics but rather ‘a necessary minimum of shared ethical values’ to which different regions, cultural groups, religions, nations

and other interest groups can commit themselves (Robinson, *et al.*, 2007). Ethics is something the parameters of which cannot be stated on same lines. Ethics is something inherent in nature or experiences which one experiences through interactions with internal and external environment.

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CURRENT AND SWITCH

There is an interesting anecdote about Swami Ramtirtha. What a change faith works in man! Love is like the electric current. Every heart is charged with it. We lack in faith, therefore we fail to evoke love. If we shake off all the doubts and misgivings that we have and have full faith in others, then love will come up. This led me to think that love is the electric current and faith the switch

-Acharya Vinoba Bhawe

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UNSELFISHNESS IS FAR MORE REWARDING THAN SELFISHNESS

Oneness is the rationale of all ethics and all spirituality. In the lowest worm, as well as in the highest human being, the same divine nature is present. One idea stands out as the centre of all ethical systems expressed in different forms is doing good to others. The guiding motive of mankind should be charity towards men and charity towards all animals. All ethics of human action and all human thought hover around on one idea of unselfishness. The whole idea of human life can be put into one word, unselfishness. First, one should bear in mind that we are all debtors to the world and the world does not owe us anything. In helping the world we really help ourselves. Secondly, there is a God in this universe, which is present everywhere. He is undying, eternally active and infinitely watchful. Thirdly, one should not hate anyone. This world will be a mixture of good and evil. Our duty is to sympathize with the weak and to love even the wrong-doer. Fourthly, we have to avoid being fanatic and maintain calmness as only then we will obtain cooperation of others and contribute more on socially useful projects.

Word is guided by two basic instincts *pravrtti* and *nivrtti*, with first more inward focused and the other more outward driven, the first could be viewed as driver of materialism, while the second as driver for spiritualism. *Pravrtti* is the guiding force for most human beings i.e. taking everything from everywhere and heaping it around one centre, which is one's individual self. *Nivrtti* drives a person away from self i.e. it destroys selfishness and becomes cornerstone of all morality and all religion. All great systems of ethics preach absolute unselfishness as the goal (p.28). In other words anything which is selfish is immoral, and that which is unselfish is moral.

The world is a mixture of good and evil, happiness and misery and that to increase the one must of necessity increase the other. There is not one thing in this world which one can label as good alone, and there is not one thing in the universe which you can label as bad and bad alone. The very same phenomenon which is appearing to be good now may appear to be bad tomorrow.

Unselfishness is more paying, only people have not the patience to practice it. It is more paying from the point of view of health also. Even the lowest forms of work are not to be despised (p.49). The ideal man is he who, in the midst of the greatest silence and solitude, finds the intensest activity, and in the intensest activity, finds the silence and solitude of the desert (p.50).

Sanskara can be translated very nearly by 'inherent tendency'. Using the simile of a lake for the mind, every ripple, every wave that rises in the mind, when it subsides, does not die out entirely, but leaves a mark and future possibility of that wave coming out again. This mark, with the possibility of the wave reappearing, is what is called *sanskara*. What we are every moment is determined by the sum total of these impressions on the mind. Our character is the sum total of these marks or impressions. Character is repeated habits, and repeated habits alone can reform character (p.51).

- *Swami Ranganathananda*

Source: Swami Ranganathananda (1995) *Swami Vivekananda on Universal Ethics*.
Mumbai: Bhartiya Vidya Bhavan.